

The impact of corporate social responsibility on customer loyalty: a study
of the banking industry in Hong Kong

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ABSTRACT

Hong Kong is a cosmopolitan city and the world's third leading financial hub with a mature economy and highly competitive financial market. Despite growing interest in corporate social responsibility (CSR), empirical studies on banks were not available in Hong Kong. Hence, the author conducted research on CSR using the three note-issuing multinational banks (HSBC, BOC and SCB). The research question is "Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?", and a CSR framework was used to investigate the influence of CSR on loyalty, mediated by perceived service quality and trust. It distinguished the CSR requirements of primary and secondary stakeholders, and introduced business practice CSR that influences the former and philanthropic CSR that affects the latter. An SEM research framework was developed and data were collected through survey questionnaires from 329 customers of the three banks. Statistical analysis was conducted using AMOS and SPSS. Research findings confirmed the relationships between perceived service quality, trust and attitudinal loyalty. Business practice CSR reputation targeting primary stakeholders was found to have a strong relationship with perceived quality and trust, but the relationship between philanthropic CSR reputation and trust was insignificant. The study has linked CSR to stakeholders, adapted a model from a business-to-business empirical study, and provided insight for mediating factors, perspectives on strategic CSR and a new CSR definition.

DEDICATION

*To my husband and my family
for their love, understanding and support*

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GLOSSARY

Corporate social responsibility	A firm's voluntary consideration of stakeholder concerns both within and outside its business operations (Homburg, Stierl, and Bornemann, 2013).
Reputational performance	Determined by multiple factors including quality of management, financial soundness, quality of goods and services, ability to attract, develop and retain top talent, value as long-term investment, capacity to innovate, quality of marketing, community and environmental responsibility, and use of corporate assets (Brown and Turner, 2011).
Business practice CSR reputation	Customer perception of the firm's engagement in CSR activities within a firm's core business operations targeted at stakeholders with whom market exchange exists (i.e. employees and customers) (Carroll, 1991; Homburg et al., 2013).
Philanthropic CSR reputation	Customer perception of the firm's engagement in CSR activities targeted at philanthropic interaction with the community and non-profit organisations, which are secondary stakeholders outside a firm's core business operations; and its voluntary actions aiming to contribute to the betterment of the society and improve the overall quality of life of people in the society (Carroll, 1991; Homburg et al., 2013).
Perceived service quality	Consumer's judgment about the superiority or excellence of a service (Zeithaml, 1988), measured based on the five service dimensions, namely tangibles, reliability, responsiveness, assurance and empathy (Parasuraman, 1988).
Trust	<p>The belief that the partner will behave in such a manner that one's own long-term expectations and interests will be served, and that this standard will be maintained over time (Aurier and Lanauze, 2012).</p> <p>Customer believes that the vendor has intentions and motives</p>

	beneficial to the customer and is concerned with creating positive customer outcomes (Ganesan, 1994).
Attitudinal Loyalty	<p>The expressed preference for a company (positive word-of-mouth), the intention to continue to purchase from it (repurchase intention), and the intention to increase business with it (cross-buying intention) (Homburg et al., 2013; Zeithaml, Berry, and Parasuraman, 1996).</p> <p>The level of commitment of the average consumer towards a brand or service provider (Chaudhuri and Holbrook, 2001).</p>

CHAPTER 1 – INTRODUCTION

This chapter introduces the study context and environment, explaining why the banking industry and corporate social responsibility (CSR) were chosen as the topics of study. It introduces the importance and intended contribution of the results for commercial organisations. Based on the above, the author highlights the research question, aims and objectives to be used for this research study.

1.1 Context of the study

The service industry is a major contributor to the economic well-being of many developed economies including the United Kingdom (UK) (79% of GDP) and Hong Kong (HK) (93% of GDP), (Central Intelligence Agency, 2014b; HKSAR Government, 2014f) which has therefore been chosen for this study. Hong Kong's gross domestic product (GDP) amounted to HK\$2,138 billion, in which 93% was contributed by various service industries, with banking being the single largest GDP contributor (9.7%) and one of the fastest growing (7.6%) industries (HKSAR Government, 2014a, 2014d, 2014f, 2015b; McDougall and Levesque, 2000). In a city with a population of 7.3 million, there are 159 licensed banks and 43 restricted licensed banks and deposit-taking companies from 36 countries, which include 70 of the 100 largest banks in the world, which operate 1,372 branches in HK (HKSAR Government, 2014c, 2014h). The average daily turnover of the HK interbank market amounted to HK\$201 billion (HKSAR Government, 2014c). The top 10 banks in HK have a total asset value of HK\$1,312 billion, and the total net profit after tax amounts to HK\$21 billion (KPMG, 2014). The banking industry employed 99,081 people (HKTDC Research, 2014), with the top 20 licensed banks hiring 85,841 (86.6%) (Hong Kong Business, 2014). While contributing 9.7% to GDP, the banking industry only employed 2.6% of HK's total labour force (HKSAR Government, 2014e), indicating that the banking industry was creating higher economic value than other industries (HKSAR Government, 2014f).

Being the world's freest economy and the third leading financial hub, HK's banking industry is extremely competitive, hence establishing a competitive advantage is essential (China Daily Asia, 2015; The Heritage Foundation, 2016). Large corporations such as banks are spending hundreds of millions of dollars on corporate social responsibility (CSR) every year. For example, Hongkong and Shanghai Banking

Corporation (HSBC) donated US\$117m, Standard Chartered Bank (SCB) raised US\$63m for charity, and Bank of China (BOC) donated US\$1.3m in 2013, dedicated a large amount of resources and engaged thousands of staff members in charity and sustainability campaigns (BOC HK, 2014; HSBC, 2013; Standard Chartered Bank, 2014d), reflecting a growing concern and increasing effort in this area from the business world (HSBC, 2013, 2014a). Therefore, it is worthy of more empirical research effort to identify the effectiveness of different types of CSR strategies in order for corporations to maximize their return on investment.

In the past few decades, many multinational companies from various industries have also been putting greater emphasis on their CSR initiatives. For example, in its CSR and sustainability reports, McDonald's has reviewed the evolution of its CSR effort, from establishing a simple environmental defense fund in 1990, to developing a global sustainability framework stakeholder team and adopting the Global Reporting Initiative (GRI) sustainability reporting guidelines in 2011, reflecting its emphasis on having a more comprehensive and structured framework involving various stakeholders and standards in CSR practices (McDonald's, 2013, 2014a). Another business leader Marks and Spencer (M&S) introduced its famous "Plan A" CSR initiative in 2007, encompassing 100 different commitments in relation to the environment, community, employees, suppliers, customers, and Marks and Spencer has since stepped up their effort with an enhanced CSR plan called "Plan A 2020", incorporating even more commitments and comprehensive planning for CSR (Marks and Spencer, 2014a, 2014b). It seems that some companies are engaging in only a few aspects of CSR while others are adopting a more comprehensive perspective and are using CSR as a corporate strategy. What is more, international organisations have introduced various CSR measurements tools (e.g. Dow Jones sustainability index, ISO 26000, and BITC CR index). These reflect the importance of CSR in the eyes of companies, their investors and various stakeholders. With this in mind, the researcher investigated whether CSR is only helping to create good feelings for stakeholders, such as the IKEA Foundation which enabled customers to feel affiliated to IKEA's annual soft toy campaign raising funds for Save the Children and UNICEF (IKEA Foundation, 2014)? Or is CSR really living up to the expectation of providing a viable strategy for creating a competitive advantage?

It appears that companies have benefited from various types of CSR practices. Among the top 20 companies in the CSR Survey of Hang Seng Index (HSI) constituent

companies, three are banks, namely HSBC, Hang Seng Bank and Bank of Communications (Oxfam Hong Kong, 2008). According to the CSR index set up by Hong Kong Quality Assurance Agency (HKQAA) and HSBC in 2008, the average score of CSR's seven core subjects (organisational governance, human rights, labour practices, environment, fair operating practices, consumer issues, and community involvement and development) improved from 4.53 in 2009 to 4.63 to 2014 in a 5-point measurement scale (Hong Kong Quality Assurance Agency, 2014), indicating an increase in corporate engagement in CSR in HK. And in the Business In The Community's (BITC) corporate responsibility (CR) index company ranking 2015, a number of multinational or financial corporations (e.g. PwC, Lloyds Banking Group, Fujitsu Services Limited, Nationwide Building Society, etc.) were listed in the top band (Business in the Community, 2015).

The researcher used the banking industry for the study, with a focus on multinational and note-issuing banks such as the Hongkong and Shanghai Banking Corporation (HSBC), Bank of China (BOC), and Standard Chartered Bank (SCB). These three banks constitute 72.0% of the total assets and 80.9% of the net profit of all licensed banks in Hong Kong (KPMG, 2014); and they have hired 50% of the total headcount (85,841) of the top 20 licensed banks in HK, with HSBC being the largest employer (26,712; 31%), followed by BOC (10,100; 12%) and SCB (6,110; 7%) (Hong Kong Business, 2014). These reflect that their ability to generate profit is higher than that of their competitors.

Also, these three banks are suitable for this research because they engage in various CSR initiatives with different levels of involvement. HSBC is among those at the forefront of CSR engagement in the HK banking industry as it is involved in different CSR arenas from environmental efficiency, forestry policy, climate change, and the establishment of an eco-efficiency fund, to community investment, donations and volunteering (HSBC, 2014a). HSBC also collaborated with the HKQAA to develop the HKQAA-HSBC CSR Index in 2008 (HSBC, 2014b). It appears that HSBC is engaging its effort not only in giving back to the community, but also in exerting CSR efforts in different areas of its business practices. This is evidenced by its initiatives to cut costs through lowering its energy consumption and encouraging recycling, reducing paper use and frequency of business travels, and building up new potential business through volunteering and teaching secondary school students how to manage their finances in community programmes (HSBC, 2014a). SCB is involved in both

sustainability and community initiatives. It has put more resources and public relations focus on the world-renowned Hong Kong marathon which has engaged more than 70,000 HK citizens each year and raised over HK\$45 million in its 20 years of history (Standard Chartered Bank, 2014a, 2014c, 2015a, 2015b). BOC, on the other hand, has only recently raised its efforts to enhance CSR performance, including revising its CSR policy, executing its stakeholder engagement plan and hiring consultants to review its CSR strategies (BOC HK, 2014).

1.2 Importance of the study

The concept of social responsibility (SR) or corporate social responsibility (CSR) has been discussed by various scholars for over 60 years and has grown in importance ever since. Social responsibility was a slight concern and a relatively vague concept in the business world dating back to the 1930s, when scholars like Clark (1939) began to discuss it (Clark, 1939). The first notable discussion of CSR was made by an American economist Bowen (1953), who coined and defined the term corporate social responsibility in his book “Social Responsibilities of the Businessman”, where he asked and discussed what responsibilities to society businessmen should assume (Bowen, 1953). Others, such as the economist Friedman (1970) and the Committee for Economic Development (CED) (1971) added to the significance of this concept, until empirical research on CSR was first published in 1975 by Bowman and Haire and more scholars continued to develop frameworks and dimensions of CSR (Bowman and Haire, 1976; Committee for Economic Development, 1971; Friedman, 1970).

As the subject matter continued to grow in importance for stakeholders, corporations have found their economic interests served by adopting a strategic approach to CSR. For example, Ronald McDonald House, sponsored by McDonald’s, helps families with children, and as McDonald’s regards children as its target customers, helping children would also enhance the company’s corporate interests by improving customers’ preferences towards the brand (Brazelton, Ellis, Macedo, Shader, and Suslow, 1999; Ghobadian and O-Regan, 2014; QSR Magazine, 2011). HSBC’s efforts to cut carbon emissions by reducing electricity and paper used to print bank statements, also served the company’s interests by cutting operating costs (HSBC, 2013). Richard Branson, founder of Virgin Group, also believed that being a responsible employer will yield better business performance, as he recently said, “If you take care of your employees they will take care of your business” (Management Today, 2015).

The researcher, being a former marketer in banking and telecommunication industries and a teacher in marketing and public relations now, is interested in finding out if CSR is indeed a valuable tool to help an organisation differentiate itself from its competition. The research question is “Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?”. This study intends to explore the impact of CSR on loyalty, and examine if CSR is worth the enormous investment by a profit making organisation. Being a relatively new topic of study, there are some diverse views on the classification of CSR aspects. The concept of CSR is tied to stakeholder theory, stakeholder engagement and management in various literature, and scholars have tried to determine the priorities of different stakeholders and the needs that companies can fulfil by using CSR (Brown and Forster, 2013; O’Riordan and Fairbrass, 2014; Öberseder, Schlegelmilch, and Murphy, 2013). While the influential scholar Carroll (1991) believed there should be four dimensions of CSR, another researcher, Homburg (2013), has tried to classify CSR into two different dimensions covering the key elements of CSR that influence the primary and secondary stakeholders (Carroll, 1991; Homburg et al., 2013; Park, Lee, and Kim, 2013). Hence the researcher has chosen to investigate what was proposed and researched by Homburg (2013) for the business market, the business practice CSR that targets primary stakeholders and philanthropic CSR that targets secondary stakeholders, and then apply the business-to-business model in a research study to the consumer market (Homburg et al., 2013).

The research aims to find out if there are positive relationships between business practice CSR reputation and perceived service quality, trust and attitudinal loyalty, and also the relationship between philanthropic CSR reputation and trust; and whether CSR can contribute positively to building loyalty and hence profitability, and therefore justify the huge investment of financial and human resources by corporations. And if CSR is helping corporations earn more profit, which aspect of CSR (business practice or philanthropic) contributes more significantly to profitability, and hence would demand more attention and investment to make it a sustainable competitive advantage?

The evolution of the CSR concept and empirical research is discussed further in the literature review section. A positivist approach was employed using quantitative research methods as the research approach. A questionnaire was devised and a survey conducted based on the research hypotheses and models derived from the literature.

The next paragraphs explain the intended contribution of the research and its aims and objectives.

1.3 Intended contribution

The intended contribution of this research is to determine if CSR has a positive influence on loyalty. Also, the researcher aims to distinguish the level of contribution to loyalty between business practice CSR which is related to primary stakeholders, such as customers and employees, and philanthropic CSR, which is related to secondary stakeholders, such as the community. The knowledge of such a distinction will help businesses better allocate their resources. Moreover, the research is used to determine the impacts of moderating factors, such as perceived quality and trust. Research has shown that perceived quality has an influence on trust (Aurier and Lanauze, 2012; Poolthong and Mandhachitara, 2009), and trust has a direct impact on loyalty (Aurier and Lanauze, 2012; Caceres and Paparoidamis, 2007; Choi and La, 2013; Homburg et al., 2013). This study therefore aims to verify such relationships and add to previous studies that have confirmed only part of the relationship as shown in the research framework in the upcoming sections (Aurier and Lanauze, 2012; Homburg et al., 2013; Mandhachitara and Poolthong, 2011; Park et al., 2013). This is the gap that this research addresses in a service industry context in Hong Kong, and hopefully clarifies the importance of the different aspects of CSR. Banks can make reference to the research results in prioritising their investment in monetary and human resources in the various areas of CSR, and also determine how to integrate CSR into their corporate strategy in order to contribute to building their competitive advantages.

With this research, some questions are perhaps also worth pondering. Is CSR a must for an organisation, or is it just PR window dressing and image building in disguise? Is CSR contributing to loyalty and value creation? If CSR is a must for corporations, then does it mean we should agree with Edward Freeman's (1984) stakeholder theory, which says that organisations must fulfil the expectations of various stakeholders such as investors, customers and employees (Freeman, 1984)? Or does it mean that, ultimately, it is Milton Friedman's (1970) utilitarian view that counts, because businesses only need to fulfil their economic responsibilities, and CSR is a strategic management tool that does just that, and therefore the criteria of prioritising and selecting CSR activities should be the ability to contribute to the financial

performance of an organisation, and hence management should only be held accountable to investors, but not other stakeholders (Friedman, 1970)?

1.4 Research question, aim and objectives

Given the above discussion on the growing importance of CSR and its possible impact on the banking sector and competitive advantage in HK, the following are this study's research question, aim and objectives:

1.4.1 Research question

“Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?”

1.4.2 Research aim

It is a commonly held belief that the financial and reputational performances of a profit making organization are indicators of its success. It is therefore important for a company to know if the investment put into CSR practices is justifiable. Would it result in better financial and reputational performances through improvement in customer attitudinal loyalty, as the latter is believed to contribute positively to profitability of companies? Therefore, the research aim is:

- To assess if, how and why corporate social responsibility positively contributes to customer attitudinal loyalty of banks in a Hong Kong context.

1.4.3 Research objectives

Research has shown a positive relationship between CSR, quality perception, trust and loyalty, and subsequently business performance, and that trust has a direct influence on loyalty (Aurier and Lanauze, 2012; Choi and La, 2013; Homburg et al., 2013; Mandhachitara and Poolthong, 2011). However, it is unclear whether the different aspects of CSR (namely business practice CSR and philanthropic CSR (see literature review for an explanation of these)) have the same impact level on quality perception, trust and loyalty. Therefore, the researcher would like to explore the relationship in the most important service industry in HK, the banking industry. As literature has established, there is a positive link between CSR and financial

performance (Cheney, 2010; Isaksson, Kiessling, and Harvey, 2014; Porter and Kramer, 2006), and that there is a positive relationship between CSR, quality, trust, and loyalty (Aurier and Lanauze, 2012; Berg, Lidfors, Mostaghel, and Philipson, 2012; Reichheld and Schefter, 2000), this thesis concentrates on the CSR aspects, quality, trust and loyalty which influence financial and reputational performance. Based on this, the following objectives have been devised.

Using three multinational and note-issuing banks in HK – Hongkong and Shanghai Banking Corporation (HSBC), Bank of China (BOC) and Standard Chartered Bank (SCB) as case studies, the author refined the research model used in the business-to-business context and applied it in the business-to-consumer banking context with the following objectives:

- To investigate the relationship between business practice CSR reputation, perceived service quality and trust.
- To investigate the relationship between philanthropic CSR reputation and trust.
- To establish the relationship between trust and attitudinal loyalty.
- To make recommendations, based on the findings of the first three objectives, on the level of resource investment by the HK banks in CSR activity, in order to enhance or maintain positive customer attitudinal loyalty and hence create positive business reputation and financial performance.

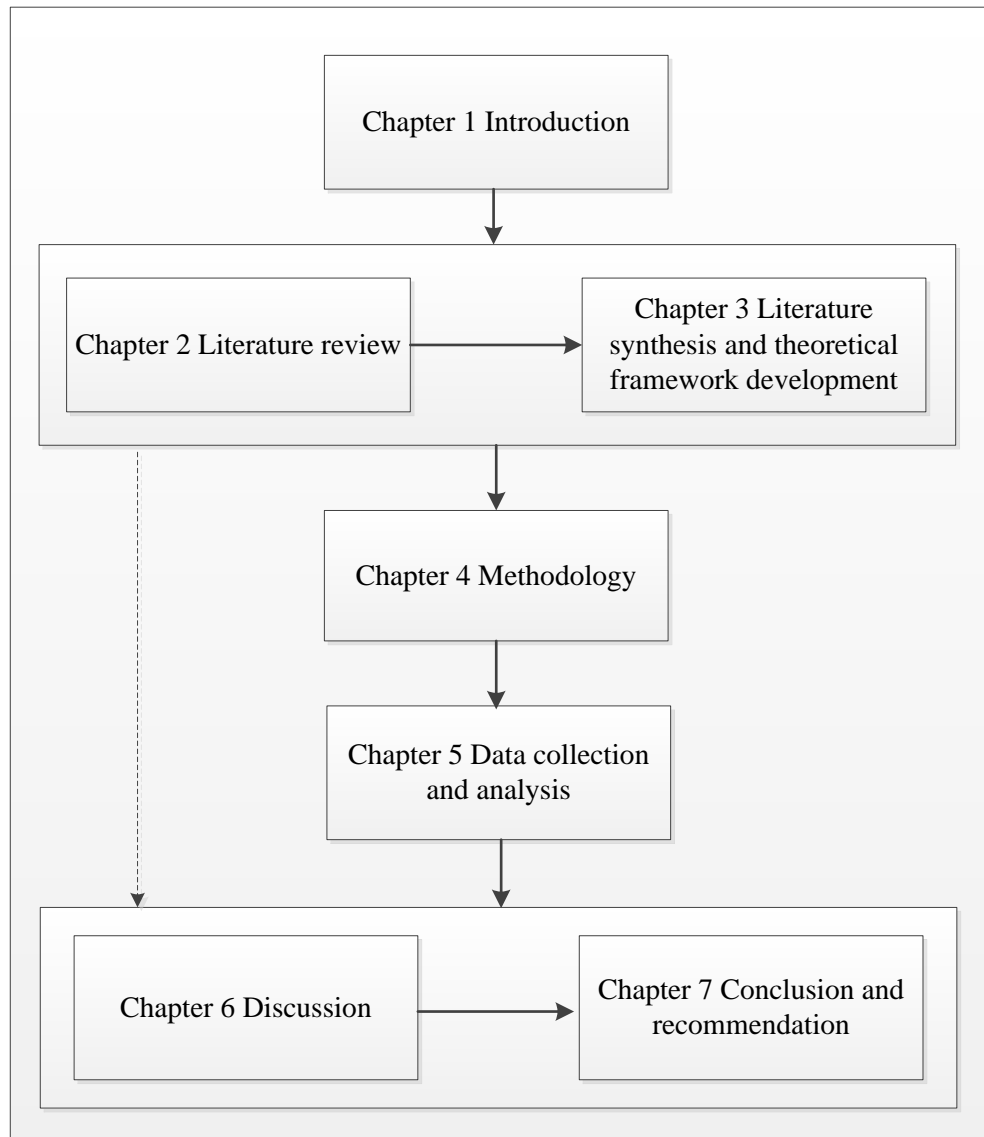
The study uses a structural equation modelling (SEM) approach as it is believed to be an appropriate modelling and data analysis method to verify multiple regression and test the hypotheses in a research framework, with references to similar frameworks in other research studies (Aurier and Lanauze, 2012; Byrne, 2009; Choi and La, 2013; Hair, Black, Babin, and Anderson, 2010; Homburg et al., 2013; Hox and Bechger, 1998). Path analysis is adopted since measured or observed variables, in this case attitudinal loyalty, are of primary interest in the theoretical framework (MacCallum and Austin, 2000). It enables researchers to specify, assess, and present a theoretical framework clearly in a path diagram, and show and test hypothesised relationships among variables (Arbuckle, 2011).

In summary, Hong Kong is a service economy, with banking being a high value-adding industry and the largest contributor to Hong Kong's GDP. Multinational companies have exhibited an increase in resources investment and engagement in the area of corporate social responsibility. The emergence of more empirical research and CSR indexes has demonstrated the growing importance of CSR in stakeholder

management. A research framework is therefore developed, using three of the largest multinational banks in HK (HSBC, BOC, and SCB) and structural equation modelling to test the importance of CSR and the hypothesised relationships of variables influencing loyalty.

1.5 Outline of the thesis

There are seven chapters in the thesis and the outline is shown in Figure 1.1 below. Chapter One introduces the study and provides an overview of the thesis and the research aims and problems. It also briefly introduces the importance of CSR and the banking industry. Chapter Two incorporates a review of relevant literature of key concepts, including corporate social responsibility, service quality, trust and loyalty. It investigates the benefits and strategic importance of CSR, and also criticisms from scholars. Empirical studies are reviewed, research gaps are discussed and situations in the HK banking industry are introduced. Chapter Three synthesises the key literature, and links the literature to the theoretical research framework developed for the study. Chapter Four discusses the research strategy, methodology and analytical tools to be used. Research hypotheses are also developed. Chapter Five describes and reports the pilot study findings, and explains how the learning from the pilot study is used to fine tune the main study. Then, the findings from the main study are reported and analysed. Results from the main study are discussed in Chapter Six. The contents discussed in Chapter Two and Three are used to inform the discussion and the conclusion in Chapter Six and Seven. Chapter Seven includes the study conclusion, the study's contribution to theory and management strategies. It also provides insight into the study's research limitations and future research opportunities in this field of study.

Figure 1.1 Outline of the thesis

This chapter provided a brief overview of the study which will be elaborated on and explained further in the coming six chapters. The next chapter is a review of the literature relevant to the study.

CHAPTER 2 – LITERATURE REVIEW

This chapter introduces and reviews the key concepts in the study, namely corporate social responsibility (CSR), perceived service quality (PSQ), trust, and attitudinal loyalty. The researcher explains how CSR is conceptualised, and highlights the value of CSR, and the development of various measurements and reporting standards of CSR. Other related concepts, such as stakeholder theory, are introduced. Scepticism of the contribution of CSR is also introduced. Empirical studies of the above concepts are discussed to identify the research gap for this research study.

2.1 Introduction

The concept of corporate social responsibility (CSR) was introduced in the early 20th century, when some scholars explored the idea that companies should be responsible not only to shareholders, but also to the public (Dodd, 1932). “Responsibility” referred not only to a corporation’s financial responsibility to its investors, but also its responsibility to the betterment of its community, the larger society and the environment of the planet (Tsoi, 2010). CSR was first formally defined by Bowen (1953) as “the obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953, p. 6). Scholars like Davis (1960) and Steiner (1971), as well as global organisations (e.g. the Committee for Economic Development (CED)) have then tried to fine tune the definition of CSR (Carroll, 1996; Davis, 1960; Steiner, 1971). Sethi (1975) was the first to classify CSR into three categories (social obligation, social responsibility and social responsiveness) and eight different dimensions, namely search for legitimacy, ethical/norms, social accountability for corporate actions, operating strategy, response to social pressures, activities pertaining to governmental actions, legislative and political activities and philanthropy (Sethi, 1975).

In the subsequent two to three decades, more scholarly and business efforts were devoted to understanding the impact of CSR on corporate reputation and other business performances (Berens, Riel, and Bruggen, 2005; Lindgreen, Xu, Maon, and Wilcock, 2012; Luo and Bhattacharya, 2006, 2009). More companies began to realise the strategic importance of CSR, among them many Fortune 500 companies, which have

explicit CSR initiatives (Homburg et al., 2013; Luo and Bhattacharya, 2009), and others, which have used different types of CSR for positioning and building of sustainable competitive advantage (Azmat and Ha, 2013; Hart, 1995). Based on data from 261 companies, including 62 of the largest 100 companies in the Fortune 500, it was estimated that the sum of in-cash and in-kind charity contributions in 2013 amounted to more than US\$25 billion (Committee Encouraging Corporate Philanthropy, 2014). More and more corporations have integrated various types of ethical standards or codes of conduct into their quality assurance programmes (Waddock and Bodwell, 2004). Almost all Fortune 500 companies have some CSR policies, and many medium-sized companies have followed suit (Cheney, 2010).

The global financial crisis and the subsequent occupy Wall Street (OWS) movement have made the financial sector more concerned about CSR, with bank CEOs from around the world who were concerned about government regulations (Center for the Study of Financial Innovation, 2012); and their customers who were concerned about corporate ethics and conducts (Bouvain, Baumann, and Lundmark, 2013). More organisations realised they need to ensure that their business practices do not have an adverse effect on the environment or on society at large (Cheney, 2010). Firms were therefore becoming more concerned about their various stakeholders rather than just shareholders, and these different stakeholders are placing increasing emphasis on companies' non-financial performances, demanding greater transparency, environmental consciousness and sustainability (Cheney, 2010; Kim and Choi, 2012; Rust, Zeithaml, and Lemon, 2004), making it impossible for sizable companies to ignore the importance of CSR.

Many people are calling for corporations to voluntarily self-regulate their business operations and adopt proactive CSR strategies, to a level beyond what is required by governments (Christmann, 2004; Kim, 2014; Kolk and Tulder, 2002; Tsoi, 2010). With stronger and stronger demand from society, reporting guidelines were subsequently developed. These include the Global Reporting Initiative (GRI) introduced in 2000 by the Coalition for Environmentally Responsible Economies (CERES), which was formed in 1989 after the Exxon Valdez oil spill, and the United Nations environment programme (UNEP) in 1997, which acted as guidelines for reporting economic, environmental and social performances, commonly known as "triple bottom lines"; and also industry specific guidelines such as the United Nations principles for responsible investment (PRI) for financial institutions (Coalition for

Environmentally Responsible Economies, 2015; Global Reporting Initiative, 2015; Ioannou and Serafeim, 2014). From the turn of the millennium, there was significant growth in voluntary reporting of corporate sustainability reports, and over 6,000 companies worldwide issued various types of sustainability reports (Ioannou and Serafeim, 2014). Governments are also encouraging CSR, sometimes even through legislation, for example, the PRC government has required companies to undertake social responsibility and emphasise the economic and social benefits of CSR in contributing to organisational reputation and growth (Ioannou and Serafeim, 2014).

2.2 Corporate social responsibility

2.2.1 Definition and conceptualization of CSR

Howard Bowen (1953), the “Father of corporate social responsibility”, first coined the term CSR in the 1950s, because he believed that many large corporations have gained significant powers and their decisions have a great influence on people’s livelihoods, and they should therefore have certain obligations to society (Bowen, 1953; Carroll, 1999). Bowen (1953) defined CSR as “The obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen, 1953, p. 6). Some scholars, like Frederick (1960), who are influential in the field, echoed Bowen’s view, believing that corporations should manage their business operations in order to fulfil the public’s expectations and improve socio-economic welfare (Frederick, 1960).

Since the 1960s, other scholars have started to refine the definition of CSR, making it more precise. Many scholars like McGuire (1988), Wood (1991), and Carroll (1979) have also agreed that corporations should have an obligations to society (Carroll, 1979; McGuire, 1988; Schwartz and Carroll, 2008; Schwartz and Saiia, 2012; Wood, 1991). They have adopted a broader perspective on CSR by incorporating several fields like ethics, sustainability (or triple bottom line), stakeholder management, and corporate citizenship; while the celebrated economist Milton Friedman (1970), on the other hand, took a utilitarian approach (the greatest good for the most number of people) and used a narrower view to suggest that social responsibility for a company is only about maximising its profits in a legal and ethical way which means the main focus remains shareholders’ interests (Friedman, 1970; Schwartz and Carroll, 2008; Schwartz and Saiia, 2012).

Many other scholars continued to elaborate on their belief that CSR is important to society. Walton (1967) linked corporations with society, while McGuire (1988) believed that corporations should not only have economic and legal obligations, but should also cater to the interests of politics, community welfare, education and employee happiness, and his view was echoed by Johnson (1971) who said that CSR is related to the interests of companies and their employees, suppliers, communities and nation (Carroll, 1999; Crane, McWilliams, Matten, Moon, and Siegel, 2009; Johnson, 1971; McGuire, 1988; Walton, 1967). These scholars have contributed to the first wave of development of the CSR concept.

During the discussion of economists Milton Friedman (1970) and Paul Samuelson (1971) on whether CSR is a corporate obligation, Davis (1960) has introduced the famous “iron law of responsibility” and put economic gains and social benefits on an equal footing in considering the obligations of a good corporate citizen; and George Steiner (1971) also said that social and business interests should be considered together over the long run (Carroll, 1999; Davis, 1960, 1975a, 1975b; Samuelson, 1971; Steiner, 1971). Grunig and Hunt (1984) believed that CSR was becoming a major component of the public relations discipline (Grunig and Hunt, 1984).

At this point, the need to distinguish the different types of CSR appeared to be a consensus amongst scholars. Later on, businesspeople and educators from the Committee for Economic Development (CED) took into consideration the satisfaction and needs of society for responsible corporations and proposed that CSR should encompass economic, social and environmental responsibilities and put the involved parties, like employees, customers, and community, in a business context (Carroll, 1999; Committee for Economic Development, 1971). Sethi (1975) then operationalised CSR by classifying corporate behaviours into a three-state schema that included social obligation, social responsibility and social responsiveness (Sethi, 1975). Social obligation refers to corporate action in response to market forces and legal constraints; social responsibility is about its behaviour, which is congruent with social norms, value and expectations; and social responsiveness is about a corporation’s ability to anticipate changes in the market and society, and take initiatives to minimise the adverse effects of its behaviour (Sethi, 1975). The meaning of CSR was made more precise when Carroll (1979) divided it into four areas, namely economic, legal, ethical and discretionary, and these categories were later refined to “economic, legal, ethical and philanthropic” (Carroll, 1979, 1983).

Starting from the 1980s, more empirical research was conducted and more scholars became interested in operationalising CSR as they wanted to find out if socially responsible firms are also more profitable (Carroll, 1999; Epstein, 1987). Freeman (1984) was the first to integrate stakeholder concept into strategic management (Freeman, 1984; Schwartz and Carroll, 2008). The importance of stakeholders in CSR began to be recognised by researchers, who stated that CSR should be beneficial to corporate stakeholders (Epstein, 1987). CSR was believed to be of greater concern to society, and companies were expected to balance the investors' need for good financial performance with the needs of other stakeholders like employees and the community (Maignan, Ferrell, and Ferrell, 2005; Reich, 1998). The wider variety of stakeholders involved in a business operation has increased the pressure on corporations' engagement and reporting of CSR activities; heightened public awareness has also increased the need for corporate accountability (Tschopp and Nastanski, 2014). Organisations' ethical business practices and the goals for sustainable development of society were linked together (Liedekerke and Dubbink, 2008).

The corporate social performance (CSP) model was introduced around the start of the 1980s, as more scholars became interested in the effectiveness of CSR. Carroll (1979) introduced the corporate social performance (CSP) Model to encompass the social responsibilities, issues and responsiveness that were witnessed in society (Carroll, 1979; Wartick and Cochran, 1985). Wartick and Cochran (1985) further defined CSP to include the principles, processes and policies of social responsibilities, and it was believed that the four CSR categories (i.e. economic, legal, ethical and philanthropic) introduced by Carroll (1979) were represented by the "principles" element of CSP (Wartick and Cochran, 1985; Wood, 1991). CSP was further developed by Wood (1991) to incorporate processes and policies, programmes and outcomes of CSR, which has resulted in a stronger outcome/performance focused perspective of CSR (Aupperle, Carroll, and Hatfield, 1985; Wartick and Cochran, 1985; Wood, 1991). While companies perceived as more socially responsible appeared more able to attract investors, lenders and customers, some scholars have different thoughts (Tschopp and Nastanski, 2014). Friedman (1970) proposed that the relationship between CSP and corporate financial performance (CFP) should be negative as cost is required for CSR initiatives, which will lower CFP (Friedman, 1970). Some researchers tried to prove a positive relationship between CSP and CFP but results were mixed, with positive, negative and even insignificant results found between the two in different research studies throughout the years, hence the relationship between CSP and CFP was

inconclusive (Aupperle et al., 1985; Berman, Wicks, Kotha, and Jones, 1999; Bowman and Haire, 1976; Fombrun and Shanley, 1990; Seifert, Morris, and Bartkus, 2004; Soana, 2011).

In the 1990s, there was growing interest in the CSP, ethics and stakeholder concepts, and scholars were trying to refine the categorisation of CSR (Carroll, 1999; Homburg et al., 2013; Nagler, 2012). In addition to CSR's social effects, scholars continued their investigation of CSR's impact on organisational processes and business performances (Lindgreen and Swaen, 2010; Orlitzky, Schmidt, and Rynes, 2003; The Wall Street Journal, 2008). Carroll (1991) linked CSR with business practices, refined the CSP model and introduced the CSR pyramid by putting the four CSR categories (economic, legal, ethical and philanthropic) in a pyramid, with the economic category as the foundation, stating that corporate efforts should be exerted to "make a profit, obey the law, be ethical, and be a good corporate citizen" (Carroll, 1991, p. 43). In 2001, European Commission (EC) stated that social, environmental, ethical and consumer concerns should be integrated into business operations and stakeholder interactions of companies on a voluntary basis (Dahlsrud, 2008; European Commission, 2011). During this period, some scholars classified CSR into four categories, namely moral obligation, sustainability, licence to operate and reputation (Porter and Kramer, 2006), while others continued to expand the concept to encompass more dimensions, such as social entrepreneurship, corporate social responsibility, corporate sustainability, inclusive business, conscious capitalism, and sustainable development (Nagler, 2012); or employee relations, community relations, diversity, product, and environmental issues (Melo and Garrido-Morgado, 2012). A review of 37 CSR definitions from 1980 to 2003 highlighted the five most commonly mentioned dimensions of CSR, namely environmental, social, economic, stakeholder and voluntariness (Dahlsrud, 2008).

The hierarchy of the CSR pyramid advocated that on top of obeying the law, companies should exert effort in building corporate citizenship and corporate philanthropy initiatives, highlighting the fact that philanthropy is a distinctively different concept from companies' other business-related responsibilities, such as responsibilities to customers, employees, shareholders and communities (Leisinger, 2007). In a decade when most scholars were trying to elaborate and add more dimensions or categories to CSR, Homburg, Stierl and Bornemann (2013) took a different perspective and simplified the definition by refocusing the CSR aspects to operational and non-operational aspects, and more importantly, they have integrated the

categorisation with different types of stakeholders by stating that CSR is “a firm’s voluntary consideration of stakeholder concerns both within and outside its business operations”, and empirical research was used to verify the relationship in their modified categorisation of CSR (Homburg et al., 2013, p. 54).

2.2.2 *Value of CSR*

Scholars have become interested in identifying the various benefits of CSR, in both good and bad economic times. On the one hand, CSR was believed to be an undeniable priority, an opportunity and also a competitive advantage for businesses around the world (Porter and Kramer, 2006). On the other hand, CSR seemed to be able to shelter organisations from public criticism, as seen in the crises faced by multinational corporations such as Nike (sweatshop and child labour), Shell (Brent Spar), and Nestle (bottled water) in the 1990s, which brought to management’s attention public expectations for the companies to operate their business in a socially responsible way (Porter and Kramer, 2006).

Early interest in CSR was reinforced by research on corporate views towards CSR, in which 93.5% of corporations researched by Bowen (1953) in the 1950s agreed with the notion that corporations should have responsibilities on top of an organisation’s profit-and-loss (Bowen, 1953; Carroll, 1999). Some scholars consolidated previous views and proposed that CSR is viable in business because it helps reduce cost and risk, strengthen legitimacy and reputation, build competitive advantage, and also create win-win situations by creating value and synergy (Hart, 1995; Lindgreen and Swaen, 2010; Shrivastava, 1995). A study of US-based firms’ financial performances from 1991-2012 revealed that positive CSR ratings were associated with reduced financial risk (Hsu and Chen, 2015). Many organisations from different industries, including Toyota, Microsoft, IKEA, Carlsberg, BMW, Colgate-Palmolive, and SONY, believed that CSR could improve their brand image and reputation, and also financial performance (Isaksson et al., 2014).

Empirical data echoed that consumers expect ethical business practices, and will reward corporations by greater willingness to pay a higher price (Creyer and Ross, 1997). A study by PricewaterhouseCoopers (PwC) has researched 1,115 corporate websites, including all of the companies from the 11 Standard & Poor’s Indexes and many others, to understand their corporate responsibility strategies (PricewaterhouseCoopers, 2009). Top executives also recognised the responsibilities

and benefits of CSR for their organisations. Chairman and CEO of General Electric Co (GE) Jeffrey Immelt said that “companies need to stand for something, need to be accountable for more than just the money they earn”, and PwC US corporate responsibility leader Shannon Schuyler said “I don’t think there are people who do CSR well who are not able to see a benefit, and that benefit includes financial benefit” (Cheney, 2010, p.29). The president of General Motors (GM), Charles Erwin Wilson, also realised the close link between the well-being of a large corporation and society at large, and said in a speech in 1953 that “I thought what was good for our country was good for General Motors, and vice versa”, and this societal view of CSR was supported by scholars who proposed that various stakeholders of organisations are demanding sustainable products and greater corporate accountability (Barnett and Salomon, 2006; Brown and Dacin, 1997; Gauthier, 2005; Gossling and Vocht, 2007; Reich, 1998; Waddock, 2004). This concurred with the view that social performance is necessary for corporations to gain legitimacy in conducting their business (Deegan, 2009; Freeman, 1994). The World Business Council for Sustainable Development (WBCSD) also suggested that companies should commit to operate ethically and contribute not only to economic development, but also to the well-being of their employees and the community at large (World Business Council for Sustainable Development, 1999). This was supported by Virgin Group and GE which have recently introduced “unlimited holiday/time-off” policies for staff as they believed that their employees would repay the company and make it more successful (BBC News, 2014; CNN Money, 2015c).

2.2.3 Strategic importance of CSR

Whether CSR is able to bring strategic value to a business is probably management’s most important concern. Penrose (1959) was one of the most influential scholars in the development of resources theories in relations to competitive advantage. Linking economics and strategic management, her resources approach is concerned about the efficient use of resources, economic profit and growth, firms’ capabilities, and competitive advantage (Penrose, 1959). It has laid a solid foundation for the resource-based view on competitive advantage (Kor and Mahoney, 2004), as it theorized that a firm must invest in expanding and innovating continuously in order to maintain its advantage over its competition (Penrose, 1959). Subsequently, Porter (1980) proposed the eminent competitive strategy for developing competitive advantage for profitability. The resource-based view (RBV) was developed afterwards and competitive advantage

was conceptualised as the implementation of a strategy that is currently not used by competing firms, and it helps to reduce costs, exploit opportunities in the market, and neutralize threats from competitors (Barney, 1991). A company that could attain a competitive advantage would be able to improve its economic performance in ways that cannot be matched by its competition (Newbert, 2008). To achieve sustainable competitive advantage, a firm must obtain resources that are valuable, rare, inimitable, non-substitutable (VRIN); and these resources may include physical, human and organizational capital resources (Barney, 1991). The exponential growth of technology requires corporations to possess dynamic capabilities in building, integrating and reconfiguring competences to compete in the rapidly-changing marketplace (Bellner, 2013; Teece, Pisano, and Shuen, 1997). However, it is not easy for companies to identify VRIN resources, as any innovation or technology can be imitated fairly quickly. This was illustrated by some new insurance services, for example, the multi-car insurance by Admiral in the UK, and the family medical insurance by Bupa in HK, which were imitated in just a few years after their launch (Bupa (Asia) Limited, 2016; Institute and Faculty of Actuaries, 2014). Therefore, some researchers believed that sustainable competitive advantage was not achievable (Kraaijenbrink, Spender, and Groen, 2010), while other scholars suggested that strategic CSR should be regarded as one of the resources which help to develop sustainable competitive advantage (Hart, 1995; McWilliams and Siegel, 2011), and connectedness between an organisation and its society and environment can facilitate its sustainable development (Vinke, 2014).

Many scholars believed that CSR should be used as a part of the overall strategic thrust in all industries (Kotler and Lee, 2005; Mahoney, McGahan, and Pitelis, 2009; Margolis and Walsh, 2003; Porter and Kramer, 2006; Raghubir, Roberts, Lemon, and Winer, 2010). Corporations adopting a strategic CSR intent – for example gaining competitive advantage – such as Swedbank, Ericsson, Electrolux, and Dove, have engaged in more CSR activities, resulting in better financial performance (Cone and Darigan, 2007; Dove, 2013; Emezi, 2015; Isaksson et al., 2014). Other scholars echoed that CSR should be regarded not only as supporting a good cause, but also as an opportunity, for innovation, and a competitive advantage; hence CSR should be used for strategic purposes in making a real difference to society or attaining a competitive advantage (Aaker, 2004; Porter and Kramer, 2006). Strategic philanthropy was believed to help attain long term advantages through creating intangible assets for an organisation (Godfrey, Merrilll, and Hansen, 2009; Porter and Kramer, 2002). Some scholars advocating market orientation believed that companies could sustain a

competitive advantage through attending to the needs of the market and key stakeholders, and CSR is central to the effectiveness of a company in achieving its business performance goals (Brik, Rettab, and Mellahi, 2011; Narver and Slater, 1990).

The strategic value of CSR in bringing about the competitive advantage of a company was recognised by a number of large multinational corporations, which realised that keeping their products or services safe for human beings and the environment will result in huge savings, and the inability to do so will mean losses. For example, British Petroleum's (BP) effort in carbon emission reductions has saved the company US\$2 billion, and Sony's "Cadmium Crisis" in 2001 has resulted in reputation issues and a US\$130 million loss for the company (Esty and Winston, 2009; Isaksson et al., 2014). Also, DuPont has saved US\$2 billion by reducing energy use, and changing food wrappers has helped McDonald's reduce 30% of its solid waste (Porter and Kramer, 2006). Toyota's introduction of the innovative hybrid electric/gasoline vehicle Prius has provided both environmental benefits and a competitive advantage to Toyota (Porter and Kramer, 2006), but its worldwide product recall in 2010 has cost the company over US\$5.5 billion including cost of repairs and litigation settlements, loss of reputation and market share, and a decrease in share price (BBC News, 2010; NBC News, 2010; The Wall Street Journal, 2010). In addition, Microsoft and Marriott have trained young people and contributed to talent development for the IT and hotel industries, and Nestle has helped small farmers by sourcing basic commodities from them, and therefore establishing reliable access to farm produce (Porter and Kramer, 2006).

Some first movers of CSR strategies like McDonald's have adopted a variety of CSR campaigns such as employees' participation in volunteer work, conserving natural resources in its restaurant operations, and Ronald McDonald House Charities (McDonald's, 2014b), which have all contributed to the company's CSR reputation (McWilliams and Siegel, 2001), or enhanced market performance in terms of profitability and customer loyalty (Aguinis and Glavas, 2012). Research and news agencies have been measuring the success of companies in building their reputation in stakeholders' minds, and Amazon.com was ranked number one in the reputation quotient ratings by having outstanding stakeholder perceptions of their products and services, workplace environment, financial performance, and emotional appeal (Harris Poll, 2014; PR Newswire, 2014). Researchers have found that the link between CSR and company performance is a fully mediated relationship, as CSR helps to improve the

level of customer satisfaction, reputation and competitive advantage, which then leads to positive company performance (Saeidi, Sofian, Saeidi, Saeidi, and Saaeidi, 2015).

In Hong Kong, large banking corporations have invested a huge amount of resources in CSR. For example, the Hong Kong marathon is an event sponsored by the Standard Chartered Bank that “promotes a healthy lifestyle and the marathon spirit in Hong Kong's community”, and has helped raise over HK\$45 million for various NGOs since its inception in 1987 (Standard Chartered Bank, 2014b, 2015a, 2015b). HSBC, being the largest bank in HK, has focused its efforts on environmental sustainability, community service and embracing diversity in its operations (HSBC, 2014a), and it has made a US\$110 million contribution to community investment projects around the world, and US\$117 million was invested in 2013 to support education and environment (HSBC, 2013, 2014a). In the 2013 HSBC annual report, it was mentioned that:

“At HSBC, we understand that the success of our business is closely connected to the economic, environmental and social landscape in which we operate. For us, long-term corporate sustainability means achieving a sustainable return on equity and profit growth so that we can continue to reward shareholders and employees, build long-lasting relationships with customers and suppliers, pay taxes and duties in the countries in which we operate, and invest in communities for future growth. The way we do business is as important as what we do: our responsibilities to our customers, employees and shareholders as well as to the countries and communities in which we operate go far beyond simply being profitable” (HSBC, 2014c, p.10).

2.2.4 Communicating CSR

On top of engaging in CSR, it seemed necessary for corporations to communicate their CSR initiatives to stakeholders. Communicating CSR associations to consumers was believed to affect the overall influence of the company and the product, which would help increase revenues for the company; hence companies like Philip Morris have been investing heavily in CSR communications (Brown and Dacin, 1997; Luo and Bhattacharya, 2006; Porter and Kramer, 2006; Standaland, Lwin, and Murphy, 2011). Even small to medium-sized enterprises are publishing their community engagement and CSR activities (Tench and Yeomans, 2006). CSR is believed to address a number of issues, ranging from diversity to environment to human rights, and can be conducted in various forms, such as cause-related marketing, socially

responsible business practices and employee volunteering, just like what has been done by Microsoft, Unilever and Nestle (Kotler, Hessekiel, and Lee, 2012). This is probably why some corporations have actively communicated CSR (e.g. Google, BMW, Microsoft, Walt Disney) and even utilised it to position themselves as a socially responsible company (e.g. Timberland, Body Shop, Ben and Jerry's) (Du, Bhattacharya, and Sen, 2007; Forbes, 2014).

Organisations standing in a pioneering position of social responsibility engagement, which have communicated this explicitly to customers, have benefited from a significant return in customer loyalty, and even financial gain. For example, in the early 21st century, outdoor clothing manufacturer Patagonia has started to communicate the impact of its business on the environment, and has encouraged customers to only buy what they need (Patagonia, 2004). Throughout the years, Patagonia has enhanced its efforts in increasing the transparency of its communication, by informing consumers of both the products' strengths and their negative impact on the environment, which was proven to facilitate customer communication and building of trust (Businessweek, 2013b). A series of "buy less" marketing campaigns, aimed at encouraging people to consider the impact of consumerism on the environment and only buy what is necessary, has resulted in an increase in sales revenue by over one-third because Patagonia has established a community that is concerned about the environment and appreciates the company's efforts in producing high quality, environmentally-sound products (Adweek, 2011; Businessweek, 2013a; Marketingweek, 2013). Those customers who were exposed to companies' CSR information tend to have significantly more positive attitudes and stronger purchasing intentions, resulting in better economic performance (Handelman and Arnold, 1999; Herremans, Akathaporn, and McInnes M., 1993; Pirsch, Gupta, and Grau, 2007; Wigley, 2008).

2.2.5 Financial benefits of CSR

Some economists believed that firms face different types of business risks, which can be classified as systematic/undiversifiable risk which is related to market portfolio, and idiosyncratic/residual risk which is the residual risk faced by a firm (Alexander, 2008). The former was said to contribute to 15%-19% of total risk, while the latter contributed to the remaining 81%-85% (Gaspar and Massa, 2006; Goyal and Santa-Clara, 2003). CSR-induced positive corporate social performance (CSP) is believed to help reduce both the systematic and idiosyncratic risk of a firm, especially

when it is used together with advertising, research and development (Luo and Bhattacharya, 2009). Moral capital was said to be the result, which would protect the firm against negative assessments from stakeholders (Luo and Bhattacharya, 2009).

Some scholars also believed that companies can “do well by doing good” (Porter and Kramer, 2011). The potential to increase profitability has driven scholars and businesses to investigate CSR in the past two to three decades. Scholars were taking the perspective of perpetual profitability or sustainable shareholder returns into consideration when looking at how to use CSR to help sustain a business, society and the environment (Ioannou and Serafeim, 2015). CSR is regarded as an important part of corporate strategy, in helping to minimise operational risks and contribute to positive and long-term financial performance (Ioannou and Serafeim, 2015). It was believed that companies should first aim to provide return to their stakeholders before they could expect to gain a return from their CSR initiatives (Bhattacharya, Korschun, and Sen, 2009; Maignan and Ferrell, 2004), and this might be particularly true for customers, as they regard a company’s CSR efforts as an important reference when making purchasing decisions (Wagner, Lutz, and Weitz, 2009).

In a meta-analysis, it was found that the relationship between CSR spending and a company’s bottom line was positive in most of the cases under study (Beurden and Gossling, 2008). Some scholars believed that CSR helped to develop intangible assets, such as an enhanced reputation, stakeholder relationships and competitiveness, which will likely have long-term gain, such as loyalty and staff retention, instead of short term gains in profitability (Albinger and Freeman, 2000; Attig, Ghoul, Guedhami, and Suh, 2013; Backhaus, Stone, and Heiner, 2002; Beurden and Gossling, 2008; Brammer and Pavelin, 2006; Fombrun and Shanley, 1990; Greening and Turban, 2000; Orlitzky, Siegel, and Waldman, 2011; Peterson, 2004; Turban and Greening, 1997; Waddock and Graves, 1997; Wu, 2006).

Quite a number of research studies have confirmed that CSR has a positive impact on financial performance, and some confirmed that CSR was not only positively related to organisations’ financial performance, but also helped companies establish a competitive advantage that resulted in more favourable stakeholder relationships (Bakker, Groenewegen, and Hond, 2005; Beurden and Gossling, 2008; Griffin and Mahon, 1997; Heugens and Dentchev, 2007; Husted and Allen, 2000; McWilliams and Siegel, 2001; Pava and Krausz, 1996; Preston and O'Bannon, 1997; Stanwick and Stanwick, 1998; Waddock and Graves, 1997). The corporations’ motives to engage in

CSR would have an impact on consumer response, in which the CSR impact was enhanced when motives were perceived to be sincere, while consumers' suspicion in CSR motives would undermine its impact (Folse, Niedrich, and Grau, 2010; Yoon, Gurhan-Canli, and Schwarz, 2006). CSR activities towards customers, employees and societies were tested positively and significantly related to firm performance (Xuan and CHang, 2015).

CSR was found to be conducive to the development of corporate reputation and financial performance (Sánchez, Sotorrió, and Diez, 2015), and has a positive impact on customer identification and advocacy (Chen, 2015; Lichtenstein, Drumwright, and Braig, 2004; Salmones, Perez, and Bosque, 2009a; Srinaruewan, Binney, and Higgins, 2015; Yeh, 2015). Research has confirmed that CSR exerts a positive influence on a firm's performance (Long, 2015; Nakamura, 2015). Other scholars also showed that CSR has an influence on reputation and market share, indicating that companies become more competitive by engaging in more CSR activities (Taghian, D'Souza, and Polonsky, 2015). CSR programmes were said to impress customers and result in positive attitudes towards a company (Berens et al., 2005; Murray and Vogel, 1997; Sen and Bhattacharya, 2001).

CSR initiatives that are customer-oriented tend to be preferred over causes that focus on environmental and societal issues (Auger, Devinney, and Lourviere, 2007; McDonald and Rundle-Thiele, 2008; Pomering and Dolnicar, 2006). Consuming products and services from companies that showed concern for stakeholders' values was said to bring both psychosocial benefits and well-being to consumers (Bhattacharya et al., 2009). In a study of more than 10,000 citizens in the world's 10 largest countries in terms of GDP, it was discovered that CSR is instrumental to business performance (Cone Communications, 2013). The majority of respondents believed that companies should operate responsibly and go beyond the minimum requirements of the law (91%), and they prefer products and services that support CSR (93%) as it affects their decisions on what/where to buy (87%), and which products and services to recommend to others (85%) (Cone Communications, 2013). CSR was also found to contribute to customer-company identification (CCI), with CCI contributing to loyalty through increased customer satisfaction (Arikan and Guner, 2013; Martínez and Bosque, 2013).

In some occasions, societal good deeds were not only appreciated by citizens and customers, but also business partners, even in a money-conscious city like Hong Kong. An owner of two small local restaurants in HK is named "culinary good

Samaritan” by the media, because he has been providing free meals to needy neighbours for the past five years, attracting hundreds of volunteers and donors to support him (BBC News, 2016b; South China Morning Post, 2016a). Recently, one of the two restaurants he operates has had to close down due to a 25% increase in rent, but a nearby landlord agreed to rent a bigger place to him at a rate lower than that of his current restaurant to support his benevolence (South China Morning Post, 2016a; The Hong Kong Standard, 2016). His kindness to the homeless and the poor has earned him positive publicity from the media, and a lot of support from local residents and people from around the world (Ejinsight, 2016; South China Morning Post, 2013).

CSR was being treated as a business discipline and some corporations, such as Swarovski and SABMiller were seen to have boosted their CSR efforts with greater investment of resources, probably because there has been increasing pressure to deliver business results by using CSR (Cantrell and Kyriazis, 2015; Luxury Daily, 2016; The Guardian, 2012). A recent survey of 142 managers who attended Harvard Business School revealed that companies engaged in different levels of CSR activities, from focusing only on philanthropy, to trying to improve operational effectiveness (e.g. Tata in India, Target in US), or even transforming business models to address social and environmental challenges (e.g. IKEA’s People & Planet campaign, Hindustan Unilever’s Project Shakti, etc.), and it was believed that CSR efforts should be aligned in objectives, measured with regard to top-line or bottom-line contribution, be consistent with the company’s purpose and value, and that external stakeholders must be communicated with and well-managed (Harvard Business Review, 2015; Triple Pundit, 2016). Another quantitative study by Deloitte on Fortune 500 companies also revealed that stakeholders have significant roles in driving CSR, and it is important to integrate CSR in business strategies, especially in bringing about short-term value in risk mitigation (Deloitte, 2015).

In addition, it was believed that both SMEs and MNCs need to engage in CSR activities, both locally and globally. It was mainly due to the sheer number of SMEs (e.g. there were 5.4 million SMEs in the UK employing 60% of the workforce; there were 320K SMEs in HK, accounting for 98% of all corporations and employing 47% of the workforce), and the importance for SMEs to build up a good image and relationship with their customers (Department for Business Innovation and Skills, 2016; Forbes, 2013; Support and Consultation Centre for SMEs, 2016; The Guardian, 2011).

Scholars and researchers were convinced that CSR investments result in a wide variety of benefits, including helping organisations improve market competitiveness, increase shareholder value through reducing risk and increasing intangible assets (Gardberg and Fombrun, 2006; Girod, 2003; Pearce and Jonathan, 2005; Petersons and King, 2009), providing insurance-like protection for relationship-based intangible assets, insulating the company goodwill from crises that could have a negative impact in western countries and even in China (Godfrey et al., 2009; Janssen, Sen, and Bhattacharya, 2014; Klein and Dawar, 2004; Minor and Morgan, 2011; Porter and Kramer, 2006; Yang, Shiu, and Liu, 2015), and gaining goodwill from government (Hill, 2006). This was supported by an analysis of Standard & Poor (S&P) 500 companies that have conducted CSR activities and recalled failed products from 1991-2006 (e.g. Walmart, Johnson & Johnson, General Motors), and the results showed that the decline in stock prices was significantly less than for other companies that did not engage in CSR activities (Minor and Morgan, 2011). Some studies have suggested that CSR contributes to high stock prices and certain favourable company-specific risk ratios (Orlitzky and Benjamin, 2001; Orlitzky et al., 2003).

Creating a competitive advantage through CSR is a long-term investment approach adopted by some companies in order to improve company performance, such as supporting their long-term legitimacy in the market (Glaxo-Smith Kline), increasing product quality and output through educating suppliers from developing countries (Nestle), and influencing consumer perceptions of environmental impact in their production (GAP) (Isaksson et al., 2014). Other than the companies that realised the value and benefits of CSR, the need to disclose CSR performances was also driven by pressure from stakeholders like customers, who are concerned about the transparency of information, such as the origins of products and the supply chain (Emerald Group Publishing Limited, 2011). Engaging in CSR was believed to lead to greater profitability, because there were increasing concerns and expectations from society on the environmental impact of organisations' operations (Adams, 2004; Deegan, 2002; Kytte and Ruggie, 2005; O'Donovan, 2002). Empirical research has supported that both the operational and stock market performance of corporations that have incorporated their environmental and social CSR initiatives into their business operations is significantly better over a prolonged period of 18 years (Eccles, Ioannou, and Serafeim, 2014). Specifically, environmental CSR was said to create better financial performance (Ambec and Ianoie, 2008; Dixon-Fowler, Slater, Johnson, Ellstrand, and Romi, 2013;

Etzion, 2007; Sharma and Starik, 2004) through more advanced innovation, efficient operations and management skills (Porter and Van der Linde, 1995).

2.2.6 *Human resource benefits of CSR*

On top of improving financial performance, more efficient and effective human resources management was another area that was addressed by empirical research on CSR. It was confirmed that companies that were performing well in CSR will also be able to gain a competitive advantage in human resources by attracting better employees who are highly educated or skilled, and with plenty of job choices (Albinger and Freeman, 2000; Feigenbaum, 1997; Turban and Greening, 1997). CSR could also help to save staff recruitment and retention costs, and improve employee productivity and commitment to an organisation, and their productivity will help a company in attaining a competitive advantage (Berman et al., 1999; Gardberg and Fombrun, 2006; Huselid, 1995; Jušcius and Snieška, 2008; Pearce and Jonathan, 2005; Pfeffer, 1994; Robinson and Dechant, 1997; Thomas and Ely, 1996; Waddock and Graves, 1997). Other research has indicated that CSR has an influence on employee satisfaction and organisational commitment (Zientara, Kujawski, and Bohdanowicz-Godfrey, 2015).

Even smaller companies are also concerned about their employees' well-being, as seen in privately owned companies Gravity Payments from the USA and Yemeksepti from Turkey, in which CEOs Dan Price and Nevzat Aydin have shared their wealth with their staff members through generous salary increases and bonus payments due to moral obligation, and this has resulted not only in reputational gain through media publicity, but also in improved employee satisfaction and positive customer reactions (Business Insider Australia, 2015; CNN Money, 2015a, 2015b). It was believed that CSR is not only about corporations contributing to society's economic development, but is also about their involvement in environmental quality and social justice, and helping to improve the quality of lives of employees, their families, the local community, and society as a whole (World Business Council for Sustainable Development, 1999). Various companies have agreed that CSR programmes were directly contributing to employee welfare (e.g. GAP), and hence acquisition and retention of customers (e.g. PricewaterhouseCoopers, Millicom, and Astra-Zeneca) (Isaksson et al., 2014).

2.2.7 *Not engaging in CSR*

Not only did organisations understand the benefits of engaging in CSR, many also realised there are social risks to not engaging in CSR (Adams, 2004; Deegan, 2002; Kytle and Ruggie, 2005; O'Donovan, 2002). Even in a competitive or adverse environment, companies are still expected to perform their CSR duties. A study has found that despite the economic downturn brought about by the financial tsunami in 2008, the majority of 121 interviewed executives were still expected to increase their engagement in socially responsible (88.3%) and environmentally responsible (90.8%) programmes (Harwood, Humby, and Harwood, 2011). In fact, this financial disaster has revealed the problems in the banking and financial systems as a whole in both the US and Europe, leading to calls for regulators to impose more stringent banking standards, increasing public scrutiny of banks' CSR activities ever since, in particular in governance and business practices (Grove, Patelli, Victoravich, and Xu, 2011; Matten, 2006). When there was a service failure, CSR was believed to enhance customers' resistance to negative publicity about the companies, thereby reducing any negative impact on their reputation (Eisingerich, Rubera, Seifert, and Bhardwaj, 2011; Klein and Dawar, 2004; Yoon et al., 2006).

Some companies have suffered serious consequences due to a lack of CSR awareness. The Australian manufacturer James-Hardie faced a multi-billion dollar class-action lawsuit because it had ignored early warnings of negative health effects of asbestos, a building material; while a British mining company, Lonmin, lost 34 employees in a poorly handled strike as it ignored the CSR implications (Isaksson et al., 2014). Studies have shown that companies that behave unethically may be boycotted by consumers, who used this tactic as a punishment against those companies (Alexander, 2002; Brown and Dacin, 1997; Creyer and Ross, 1997; Gelb, 1995). Non-purchase, fewer purchases, or purchases at a lower price were tactics used by customers as a rejection of the companies' negligence (Creyer and Ross, 1997; Gelb, 1995). In a meta-analysis of investors' response towards CSR, it was found that the market reacted negatively to companies that committed socially irresponsible and illegal acts (Frooman, 1997).

Globalisation has provided corporations with a new perspective to realise the importance of corporate reputation and brand image, and has given them an incentive to recognise CSR as an essential instrument in helping them to achieve success (Commission of the European Communities, 2001). The explosive growth of social

media has created many transparent and open communication platforms, in which stakeholders, including customers, media and activists, expect speedy responses from corporations (Tench and Jones, 2015). In order to stimulate a positive response (e.g. higher purchase intention) from CSR efforts, CSR issues should be relevant to consumers' concerns (Sen and Bhattacharya, 2001). Research showed that engaging customers in companies' CSR initiatives would maximise the return on their efforts, and hence CSR budgets should not only be used in communication, but also in inducing participation and interest in the target stakeholders (Du, Bhattacharya, and Sen, 2011). Research has also shown that the level of CSR rating was negatively correlated with financial risk and distress perceived by investors, hence it is important to be positively rated in CSR initiatives (Hsu and Chen, 2015).

Activist groups have been pressuring organisations to adopt a socially responsible approach in their business practices, and some organisations were forced to do so to avoid the reputational costs brought about by constant negative publicity. For example, the "save the Arctic movement" by the environmental group Greenpeace has put a great deal of pressure on Shell's Arctic drilling project directly through increasing reputational costs, and indirectly through pressuring the Obama administration to add restrictions to the drilling, which has resulted in Shell abandoning its entire Arctic drilling project (BBC News, 2015; Bloomberg Business, 2015b; Fortune, 2015a; The Guardian, 2015). Greenpeace has also launched a "detox our nature" campaign, urging manufacturers to refrain from using toxic chemicals in their manufacturing processes, and social media were used to create awareness around the world to put more pressure on brand owners (Eco Fashion World, 2014; Greenpeace International, 2011; Huffpost Green, 2013). Dozens of multinational brands, from H&M to Adidas, from Zara to Burberry, and from Patagonia to North Face, were pressured to make a commitment to become a responsible brand and reduce the toxins they use, such as cancer-causing PFCs, in making their products; to reduce pollution of water sources, or stop discharging hazardous chemicals into the environment (Greenpeace International, 2015; South China Morning Post, 2016b; The Guardian, 2016).

Scholars call this CSR-based challenge, and if not handled well with quick corrective actions, this could create threats, and even a crisis, to a company's reputation, as seen by pressure faced by corporations like Burberry in the Greenpeace Little Monsters campaign, and the ongoing condemnation of brands like Disney that did not respond to environmental requests by activists (Coombs and Holladay, 2015; Eco

Fashion World, 2014; Greenpeace International, 2014). With globalisation, regulations and interventions from governments were seen to help induce more responsible business practices. For example, after the Volkswagen diesel emission scandal in 2015, the US Justice Department sued the company for creating harmful air pollution, and the EU planned to impose emission tests conducted by independent assessors and spot checks to protect consumer rights (BBC News, 2016a; The New York Times, 2016a, 2016b; The Wall Street Journal, 2016).

2.2.8 *Scepticism of the value of CSR*

Although there are quite a number of CSR advocates in business, consultancy and academia fields (Aguinis and Glavas, 2012; Harris Poll, 2014; Luo and Bhattacharya, 2009; McWilliams and Siegel, 2001; Patagonia, 2004), one should also understand that there are scepticisms and controversies as to whether CSR is essential for improving business performance (Bravo, Montaner, and Pina, 2009).

Positive contribution of CSR to financial performance did not appear in all of the empirical research. While a positive relationship between CSR and financial performance was found in 68% (23) of the 34 reviewed studies, 26% (9) ended up with no relationship, and 6% (2) with a negative relationship (Beurden and Gossling, 2008). A review of 21 studies concluded that 57% (12) demonstrated positive association of CSR, with 5% (1) showing a negative association and 38% (8) neutral associations (Pava and Krausz, 1996). Another research study reinforced such a view, with 63% (33) of the studies revealing positive relations, while 10% (5) showed negative relations, and the rest 27% (14) showed no relations (Roman, Hayibor, and Agle, 1999).

In a review of past CSR studies, it was discovered that 44% of the reviewed 109 studies did not show any clear relationship between CSR and financial performance (Margolis and Walsh, 2003). Some research confirmed that corporate philanthropy did not contribute to better financial performances or profitability (Moore, 2001; Seifert, Morris, and Bartkus, 2003; Seifert et al., 2004). Another research study on South African firms also showed that CSR did not create significant differences in companies' financial performances (Chetty, Naidoo, and Seetharam, 2015). A few research studies found a negative financial contribution from CSR, due to high costs incurred in CSR, which resulted in reduced profits and shareholder wealth, echoing Friedman's view (Aupperle et al., 1985; Fernandez and Souto, 2009; Friedman, 1970; Porter and Kramer, 2002; Preston and O'Bannon, 1997; Waddock and Graves, 1997).

The scepticism was also developed due to corporations' perceived hypocrisy. Some scholars are concerned about corporations that are only using CSR for image building, and hence only report good news but not poor performance (Gray, Adams, and Owen, 2014). As transparency is becoming more important due to stakeholder activism, more companies are disclosing various types of CSR parameters in order to build credibility amongst key stakeholders (Harvard Law School Forum, 2013). Some believed that CSR was "hypocritical window-dressing" and companies pretend to address stakeholders' concerns by publishing various CSR reports to engage stakeholders and create a positive perception, and stakeholders may not read the details of the reports (Forbes, 2011; Friedman, 1970; Harvard Law School Forum, 2013; United Nations Environment Programme, 2015c). British Columbia Law Professor Bakan (2005) even called corporations 'psychopaths'. He said that while investors expected companies to do good and help make the world a better place, CSR was indeed used to cover up corporations' true character as they are obsessed about the bottom-line, while ignoring concerns about the environment or human safety (Bakan, 2003, 2005). Some of the biggest corporations, like Nike, Enron, GE, Pfizer and GM, were quoted as examples of such excessive greed; and the hope of having true CSR was believed to only be feasible through democratic control and government regulations (Bakan, 2005; Cambridge Programme for Sustainability Leadership, 2011).

2.2.9 CSR measurement

With such a significant impact on business, and slight scepticism, more scholars have been proposing frameworks and measurements of CSR. In the 1970s and onwards, scholars have started to introduce reputation index (e.g. Moskowitz Index by Milton Moskowitz) (Carroll, 1999). An accounting framework was later introduced by Elkington (1997), a consultant in sustainability and the founder of SustainAbility, who first coined the term triple bottom line (TBL, or 3BL) as a framework to measure and report corporate performance against the relevant economic, social and environmental parameters of an organisation in order to encourage organisations to incorporate sustainability in their business practices (Elkington, 1997; SustainAbility, 2010; The Economist, 2009). These three dimensions are commonly known as the 3Ps, namely people, planet and profit (Slaper and Hall, 2011). The 3Ps are the three pillars of sustainability, and the TBL accounting allows the accounting measurement to cover the

organisations' full cost of operation, which is regarded as important for an organisation to understand its real contribution (Elkington, 1997; Slaper and Hall, 2011).

Some large corporations have started to report their TBL returns, like Tesco which has established and reported the "scale for good", making reference to Elkington's TBL business strategy (Tesco, 2014). In the commercial world, many companies have been accused of paying lip service to CSR. Big brands like Coca Cola, Tommy Hilfiger, and Marks and Spencer were said to have greenwashed consumers by boasting about their sustainability or charity efforts (International Business Times, 2013; The Huffington Post, 2012). Getting the TBL measured, reported and audited like a financial bottom line, is believed to be a move towards greater accountability and transparency, with the hope of encouraging real corporate citizenship (Gimenez, Sierra, and Rodon, 2012; Norman and MacDonald, 2004; Sridhar and Jones, 2013).

There are controversies on the methods of TBL measurement, as it is believed that TBL should be measured separately, and it is difficult to establish a universal measurement. Therefore, some researchers believed that proper measurement tools like the genuine progress indicator (GPI), covering economic, social and environmental factors with 25 variables, should be developed and applied to both for profit and non-profit organisations (Slaper and Hall, 2011). Other scholars have a similar belief, and have said that a sustainable enterprise is one that delivers economic, social and environmental benefits (Hart, Milstein, and Caggiano, 2003), and they believed that by adopting sustainable business strategies, companies could build up a sustainability portfolio, creating sustainable value, which brings about corresponding shareholder value including cost and risk reduction, innovation and repositioning, growth trajectory, reputation and legitimacy (Hart, 1997; Hart et al., 2003). The increased shareholder value was evidenced by the results seen by many corporations, such as the pollution prevention by 3M, recycling efforts by Nike, and Toyota's increase in its products' fuel efficiency, to name a few (Hart et al., 2003).

2.2.10 CSR reporting

On top of developing CSR measurement methods, organisations have developed reports on CSR practices from around the world, hoping to attract more attention in the global business community (United Nations Environment Programme, 2015a, 2015b). Governments and international organisations have also started to regulate CSR reporting. The United Nations global compact (UNGC) developed in 2010 aimed at

encouraging businesses to adopt strategic policies and engage in alignment of their business operations with the recommended 10 principles in the areas of human rights, labour, environment and anti-corruption (Porter and Kramer, 2006; United Nations Global Compact, 2014). Understanding the power of communication, many large multinational corporations have published some aspects of their CSR efforts to inform stakeholders of their CSR engagement. In a study by PricewaterhouseCoopers (PwC) on CSR reporting, all of the researched companies reported on a few CSR domains, namely environment, management systems, community support, employees, and health and safety (PricewaterhouseCoopers, 2009). In another report by PwC on total impact measurement and management (TIMM), four dimensions, namely economic (employment and economic output), tax (overall contribution to public finances), social (health, education and livelihoods) and environmental impacts (land use, water and air), were believed to determine how a company can create sustainable value for shareholders and communities (PricewaterhouseCoopers, 2013). From a survey conducted by KPMG in 2013, 71% of the world's 4,100 large corporations and 93% of the world's largest 250 companies believed that communicating their CSR efforts and achievements are beneficial, and hence they have published reports on their CSR initiatives (KPMG International, 2013). This action was taken by companies in different regions with similar enthusiasm, with 76% of American, 73% of European and 71% of Asia Pacific companies publishing their CSR reports (KPMG International, 2013). Companies were seen to have engaged stakeholders more frequently, and management relied more on CSR reports for decision making (Tschopp and Nastanski, 2014).

Worldwide organisations have developed guidelines and frameworks to help corporations report their CSR initiatives in a structured way. Initiatives such as the United Nations global compact (UNGC) and global reporting initiative (GRI) are more focused on providing guidelines for measurement and a framework for reporting sustainability and environmental protection initiatives (Colle, Henriques, and Sarasvathy, 2014; Schwartz and Carroll, 2008; United Nations Global Compact, 2015). Some guidelines include a specific CSR dimension focus, such as the International Labour Organization (ILO) standards that mainly cover employee welfare and protection, equality for the employment of minority groups, etc (International Labour Organization, 2015). The International Organization for Standardization (ISO) has introduced ISO14001 to guide environmental management systems, as well as ISO9000 to provide quality management standards (Colle et al., 2014).

Most other reporting guidelines and assessment standards cover multiple dimensions of CSR (Griffin and Mahon, 1997; Porter and Kramer, 2006; Tschopp and Nastanski, 2014). For example, Organisation for Economic Cooperation and Development (OECD) guidelines cover areas such as human rights, employment and industrial relations, environment, combating bribery, bribe solicitation and extortion, consumer interest, science and technology, competition and taxation (Organizational for Economic Cooperation and Development, 2011; Sen and Bhattacharya, 2001). AccountAbility's AA1000-Principles encompassed areas that include economic, environmental, social issues, and longer term financial performance of organisations (AccountAbility, 2008; Sen and Bhattacharya, 2001). The Fortune's survey of corporate reputation measured financial performance, coupled with nine reputational areas including innovation, human resources management, use of assets, social responsibility, management quality, financial soundness, long-term investment, product quality and global competitiveness (Fortune, 2015b). The Dow Jones sustainability index (DJSI) measured economic, environmental and social sustainability (Dow Jones, 2014). FTSE4Good index focused on environmental, social and governance practices (FTSE, 2015). Socrates, a corporate social ratings monitor, has recorded over 4,000 US corporations' CSR efforts; and it has classified CSR initiatives into six domains, namely community support, diversity, employee support, environment, non-US operations, and product (Newswire, 2009). The International Organization for Standardization (ISO) has developed a standard for social responsibility (ISO 26000) that incorporates seven subjects, including human rights, labour practices, the environment, fair operating practices, consumer issues, and community involvement and development (Colle et al., 2014; International Organization for Standardization, 2010), to provide clear operational guidelines to organisations with a systematic approach to CSR, as some may use the ISO as a third party endorser for their CSR efforts so as to enhance their brand image.

As CSR became more and more important for corporations, global organisations like GRI and ISO have joined forces in providing more comprehensive guidelines on both CSR operation (e.g. ISO 26000:2010) and reporting (e.g. GRI G4 Guidelines), enabling companies to understand certain principles and standards in reporting and disclosing CSR activities, and encouraging them to fulfil the ISO standards in CSR (International Organization for Standardization, 2010).

More recently, as various stakeholders are demanding more transparency and accountability from businesses, more comprehensive and integrative reporting standards

have begun to emerge, like the International Integrated Reporting Council (IIRC), aiming at driving businesses to think, act and report in a transparent and sustainable way (International Integrated Reporting Council, 2013). The IIRC introduced the integrated reporting (IR) framework in 2013 with eight essential content elements of the report covering many facets of business operation and governance, including organisational overview and external environment, governance, business model, risks and opportunities, strategy and resource allocations, performance, outlook and basis of presentation (International Integrated Reporting Council, 2013). The IIRC piloted its IR framework in 2014 and it is supported by many MNCs around the world, such as UK-based HSBC, Marks and Spencer, Sainsbury, Unilever; US-based Microsoft, Coca Cola, Pepsi, and HK-based China Light and Power (China Light and Power Holdings Limited, 2014; International Integrated Reporting Council, 2015). As environmental, social and governance (ESG) reporting is widely accepted, the HK Stock Exchange (HKEx) has introduced it as a part of its regulatory framework by adopting the GRI Reporting Guidelines in 2009 (Hong Kong Exchanges and Clearing Limited, 2012). It is apparent that integrated reporting is encouraged by various stakeholders, such as investors and regulators, in recent years (Brown-Liburd and Zamora, 2015).

2.2.11 Stakeholder and CSR dimensions

Stakeholders have a notable role to play in an organisation's CSR engagement. The importance of corporate social responsibility was well-recognised and was seen as a company's effort to voluntarily consider both internal and external stakeholders' concerns (Homburg et al., 2013). Also, as scholars have tried to define CSR from different theoretical perspectives, some have adopted the perspective of stakeholder theory (Homburg et al., 2013), while others have taken a resource-based view on strategic management (Hart, 1995; McWilliams and Siegel, 2011).

The stakeholders model holds that all persons or groups with legitimate interests to participate in an organisation will do so to gain benefits, and the model explains and guides the structure and operation of an established corporation (Donaldson and Preston, 1995). The concept of stakeholder management was developed by Freeman (1984) when he wrote the book "Strategic Management: A Stakeholder Approach" (Freeman, 1984). Stakeholder theory was believed to have contained theories of three different types, namely descriptive/empirical, instrumental, and normative (Donaldson and Preston, 1995). Descriptive/empirical dimension referred to describing how companies

behave, instrumental theory described what will happen if companies behave in certain ways, and normative theory was concerned with the morality of companies' behaviours (Donaldson and Preston, 1995). The instrumental approach of the stakeholder theory explicitly suggested a linkage between stakeholder-directed behaviour (stakeholder management) and corporate performance and aimed to identify them (Donaldson and Preston, 1995; Jones, 1995), which implied that companies should perform stakeholder-directed behaviours that are valued by stakeholders in order to create positive corporate performance (Bhattacharya et al., 2009; Jones, 1995; Luo and Bhattacharya, 2009). The essence of the stakeholder theory is that in order for corporations to succeed, they must manage their relationships with key groups of people, and these people are influenced by and have influence on their organisations, such as shareholders, customers, employees and communities, etc (Freeman, 1994; Freeman and Evan, 1990; Marcus and Geffen, 1998; Sharma and Vredenburg, 1998).

The International Integrated Reporting Council (IIRC) has explicitly included six groups of stakeholders in its framework, namely employees, customers, suppliers, business partners, communities and others (International Integrated Reporting Council, 2013). The importance of stakeholders was well-recognised by different scholars. Management guru Tom Peters (1982) believed that companies need to understand and fulfil the needs and expectations of their stakeholders, and also constantly engage and communicate with them (Mohr, Webb, and Harris, 2001; Peters and Waterman, 1982; Waddock and Bodwell, 2004). Some believed that stakeholders should be taken into account when devising a CSR strategy, while others said that only CSR projects relevant to stakeholders and appropriate for the company would be appreciated, and that CSR activities apparent to stakeholders should be chosen, in particular for the banking industry (Bhattacharya, Korschun, and Sen, 2012; Dam and Scholtens, 2012; Deng, 2012; Dowling and Moran, 2012).

Stakeholder theory has highlighted the importance for companies to incorporate the interests and expectations of various stakeholders into their corporate strategies and decision making process (Ioannou and Serafeim, 2015). Linking business strategies to the needs of stakeholders was believed to create various benefits for an organisation, including minimising the risk of facing negative regulatory, legislative and fiscal action (Berman et al., 1999; Freeman, 1984; Hillman and Kein, 2001), attracting purchases and investments from socially responsible consumers and investors (Hillman and Kein,

2001; Kapstein, 2001), and allowing easier access to finances and recovery from poor performance (Choi and Wang, 2009).

While the earlier definition of CSR focused more on its philanthropic aspect, later on, other scholars have introduced more aspects in relation to companies' business practices. Some believed there should be four aspects, namely economic, legal, ethical and philanthropic (Carroll, 1991; Park et al., 2013), others consolidated and believed there are three aspects, namely economic, ethical-legal and philanthropic (Salmones, Crespo, and Bosque, 2005), or even just two more clear cut aspects covering business practice and philanthropic areas by linking the CSR aspects with stakeholder theory (Homburg et al., 2013).

2.2.12 CSR in the banking industry

In the context of the highly regulated banking industry, fairly standardised services are usually offered by a relatively small number of players in the market, which has made it necessary for banks to be reliable in customers' minds, this is one of the reasons why banks must be customer-oriented (Alrubaiee, 2012; Liu and Wu, 2007; Pomering and Dolnicar, 2006; Roy and Shekhar, 2010). Ethical sales behaviours were proven to help in building strong trust and customer relationships (Goff, Boles, Bellenger, and Stojack, 1997; Hansen and Riggle, 2009; Roman, 2003). Banks are considered leaders in sustainability and have often communicated their efforts in building a better world (Matute-Vallejo, Bravo, and Pina, 2011). Retail banks around the world have been investing heavily into CSR to strengthen their reputation and customer relationships (McDonald and Rundle-Thiele, 2008).

A study of 32 major banks in Europe, North America, and the Pacific reflected that the banks have improved their CSR performance significantly since the turn of the 21st century (Scholtens, 2009). Some banks in Spain spent 20%-30% of their net income on social and charitable activities (Enquist, Johnson, and Skalen, 2006; Vélaz, Sison, and Fontrodona, 2007). According to a study of corporate responsibility reporting, 61% of companies in the financial industry have reported related initiatives in 2011, up from 49% in 2008 (KPMG International, 2011). A study of 800 banking customers found a close relationship between CSR and loyalty, in which ethical responsibility influenced loyalty through trust, while philanthropic responsibility affected loyalty through customer-bank identification (Bronn and Vrioni, 2001; Salmones, Perez, and Bosque, 2009b). It was found that CSR can create more positive

attitudes towards a brand, and a study of 840 banks confirmed the significant relationship between brand and financial performance (McDonald and Rundle-Thiele, 2008; Ohnemus, 2009). Bank customers preferred CSR initiatives that benefit themselves rather than those that benefit society and the environment, and these customer-oriented CSR activities will bring about a return on investment to banks (McDonald and Rundle-Thiele, 2008). Some banks in India were incorporating customer satisfaction and other dimensions like environmental marketing or education into their CSR activities (Narwal, 2007). Customers were found to be more concerned about their personal benefits, as compared to the broader social impacts of business practices that might be unethical (Whalen, Pitts, and Wong, 1991). Empirical studies found that CSR did not affect consumers' intentions to use the service of a financial institution that they had never patronised before (Bravo et al., 2009).

CSR performance was believed to help enhance the banks' credit ratings and resulted in reduced financing costs (Attig et al., 2013). Research indicated that CSR investments that were socially desirable and could enhance competitive advantage are essential for primary stakeholders, and would have the greatest influence in gaining customer support in a commodity-like market, and even helped the banks in achieving better credit ratings (Attig et al., 2013; Matute-Vallejo et al., 2011). Research in the banking industry has suggested that reporting CSR activities can influence stakeholders' perceptions of a company's performance, value and risk, and hence its profitability, cost of capital and share price (Lourenco, Branco, Curto, and Eugenio, 2012; Scholtens, 2009). Some believed that CSR investments insured the bank against dramatic costs that could arise due to socially irresponsible behaviour (Herremans et al., 1993).

2.2.13 CSR in Hong Kong

CSR engagement in Asia was believed to be rather weak, as Asian companies generally lack the budget and knowledge to strategize CSR activities for organisational benefits (Shakeel, 2015). The Hong Kong society began to realise the importance of CSR only about 15 to 20 years ago, and different CSR indexes were established by leading banks or non-governmental organisations (NGOs) in Hong Kong. NGOs such as the Hong Kong Council of Social Service (HKCSS) and Hong Kong Environmental Protection Association (HKEPA) established the caring company award in 2002 and the Hong Kong enterprise environmental achievement award in 2008 (Caring Company, 2014; Hong Kong Environmental Protection Association, 2015).

The banking industry was also concerned about CSR and related reports and communications. The Hong Kong Association of Banks started to promote the communication of CSR activities to the community from 2012 onward (The Hong Kong Associations of Banks, 2012). Some banks have also introduced CSR indexes. HSBC has introduced two CSR indexes, namely the Hang Seng CSR index with Oxfam and the Hong Kong Quality Assurance Agency-HSBC CSR index, both established in 2008 (Hong Kong Quality Assurance Agency, 2015; Oxfam Hong Kong, 2015). In the CSR survey of Hang Seng Index constituent companies, HSBC topped the list with 80% of the total score in the six areas measured, namely CSR strategy and reporting, stakeholder engagement, workplace quality, environmental performance, supply chain, and community investment; other banks on the list were Hang Seng Bank, a subsidiary of HSBC (66% score), China Construction Bank (48%) and Bank of China (44%) (Oxfam Hong Kong, 2009).

The HKQAA CSR index was subsequently developed into the CSR advocate index, sustainability rating and research index and CSR index plus; and HKQAA CSR advocate index was benchmarked against the ISO26000:2010 guidance on social responsibility, and so encompassed the same seven core subjects, namely organisational governance, human rights, labour practices, environment, fair operating practices, consumer issues, and community involvement and development (Hong Kong Quality Assurance Agency, 2014). The average score of HKQAA CSR advocate index was 4.63 out of 5 with the highest score in labour practices (4.89) and the lowest score in community involvement and development (4.49), with the greatest improvement seen in the environmental aspect; the average HKQAA CSR index plus for financial industry was 54.2, which was ranked number 3 amongst 11 industries (increased 8.05% to 4.70) (Hong Kong Quality Assurance Agency, 2014). The HKEx has introduced environmental, social and governance (ESG) reporting as its regulatory framework (Hong Kong Exchanges and Clearing Limited, 2012). Some believed that the relationship between CSR and business performances in the financial industry is under-researched (Bouvain et al., 2013), in particular in Asia, and hence more empirical research would be beneficial for banking management strategies.

2.3 Perceived service quality, trust and attitudinal loyalty

2.3.1 *Perceived service quality*

The concept “service quality” was first introduced together with a measurement model called SERVQUAL in the 1980s (Parasuraman, Zeithaml, and Berry, 1985). It was considered to be essential to the success of companies in a highly competitive marketplace (Parasuraman et al., 1985; Reichheld and Sasser, 1990; Zeithaml et al., 1996). Scholars have found that consumers’ perceptions of a company’s CSR efforts would have a direct influence on their assessment of the service quality of a company (Poolthong and Mandhachitara, 2009). Perceived service quality is the outcome of a perceived service as compared to the expected service (Caceres and Paparoidamis, 2007). Perceived service quality is believed to be one of the most important criteria in customers’ evaluation and choice of service, and may even lead to a change in service provider (Keaveney, 1995). Companies also used it to evaluate the effectiveness of their strategies (Brady et al., 2005).

The perception of CSR efforts would determine the evaluation of service quality and also the formation of positive associations in customers’ minds (Fornell, 1992; Kay, 2006; Mohr and Webb, 2005; Salmones et al., 2005; Sureshchandar, Rajendran, and Kamalanabhan, 2001). Perceived quality provides customers with a reason to buy a product, and it differentiates the product or brand from those of its competitors (Aaker, 1996; Zeithaml, 1988). It is a key factor in maintaining long-term customer relationships and plays an important role in affecting purchase intentions (Brucks, Zeithaml, and Naylor, 2000; Snoj, Korda, and Mumel, 2004; Vlachos, Tsamakos, Vrechopoulos, and Avramidis, 2009).

Perceived service quality was found to have a direct impact on trust (Poolthong and Mandhachitara, 2009; Vlachos et al., 2009; Wu, Li, and Li, 2016), customer satisfaction (Yuksel and Yuksel, 2002) and is an important determinant of customer loyalty (Dimitriades, 2006; Fullerton, 2005; Liu and Jang, 2009; Vlachos et al., 2009; Zeithaml et al., 1996). CSR was proven to directly lead to customer satisfaction, which often resulted in loyalty (Luo and Bhattacharya, 2006; McDonald and Rundle-Thiele, 2008). Research encouraged marketers to use CSR strategically for positioning by incorporating CSR programmes that stimulate customers to perceive the brand as having high service quality (e.g. a beauty salon can advertise the use of organic skin care products that are beneficial for the skin and the environment) (Vlachos et al., 2009).

2.3.2 *Trust*

Trust is believed to be the intention to accept vulnerability based on positive expectations of the behaviours or intentions of another, and stake was involved in such dependence (Doney and Cannon, 1997; Kramer, 1999; Moorman, Zaltman, and Deshpande, 1992). It was argued that trust is a willingness to depend on another party, based on expectations resulting from the party's ability, reliability, and benevolence (Ganesan, 1994). Trust was observed to be the prerequisite of loyalty in the banking industry (Reichheld and Schefter, 2000). Trusting a bank is about whether the customers have a strong belief in the honesty, truthfulness and justice of bank personnel in guiding and solving their issues (Gill, Flaschner, and Shachar, 2006).

CSR was said to have an impact on trust, which led to loyalty (Berg et al., 2012; Salmones et al., 2009a). Some researchers have demonstrated the importance of consumer trust in affecting consumer purchase intentions (Harris and Goode, 2010; Schlosser, White, and Lloyd, 2006). Others even believed that trust can significantly affect customers' purchasing decisions (Ganesan, 1994; Gefen and Straub, 2004). It was also believed that trust in a brand is directly related to both purchase and attitudinal loyalty (Chaudhuri and Holbrook, 2001), and customer retention and loyalty (Berg et al., 2012; Morgan and Hunt, 1994; Sirdeshmukh, Singh, and Sabol, 2002).

Stakeholders who have identified with the company usually feel psychologically attached and tend to support the company and trust its intentions in its business practices; CSR is a way of forming these identifications (Bhattacharya, 2011; Bhattacharya and Sen, 2003; Du et al., 2011; Hosmer, 1995). Establishing trust with key stakeholders was said to significantly reduce costs and hence improve financial performance (Barney and Hansen, 1994; Hill, 1995; Jones, 1995; Wicks, Berman, and Jones, 1999), and CSR was shown to reinforce stakeholders' trust (Garcia-Benau, Sierra-Garcia, and Zorio, 2013). CSR was also found to induce positive consumer attitudes, better perceived service quality, and customer trust (Luo and Bhattacharya, 2006; Poolthong and Mandhachitara, 2009; Songsom and Trichun, 2013; Yu, Wu, Chiao, and Tai, 2005).

Edelman TrustBarometer, a research study conducted by Edelman, the world's largest public relations firm, showed that trust was contributed by 16 key attributes categorised in five performance clusters, namely customer and employee engagement, integrity, products and services, purpose (social & environmental), and operations (Edelman, 2014a). According to the result of the 2010 Edelman TrustBarometer, trust

was an essential component of business, and acted as an important reputational factor, as the public expected companies to contribute to society as a whole (Cheney, 2010). The same study also showed the rapid growth in significance of these thoughts, as respondents who agreed that a good corporate citizen was one of the factors contributing to corporate reputation increased from 33% to 64% within only five years (Cheney, 2010). Contributing factors to corporate reputation were predominantly believed to be transparent and honest practices (83%) and trust for the company (83%), followed by quality products or services (79%) and communications (75%); surprisingly, only 45% of respondents agreed that financial returns contribute to reputation (Edelman, 2010). Trust exerted a significant impact on business performance, as reflected by the latest Edelman TrustBarometer, which showed that customers who trusted a company chose to buy products/services (80%), recommended them to a friend/colleague (68%), paid more for products/services (54%), and shared positive opinions online (48%); while those who distrusted the company refused to buy its products/services (63%) and criticised them to friends/colleagues (58%) (Edelman, 2015). A few research studies have established the relationship between CSR, trust and customer-company identification, but the support was relatively weak (Arikan and Guner, 2013; Martínez and Bosque, 2013).

Research in the banking industry has shown that CSR has a direct impact in building trust and brand equity (Fatma, Rahman, and Khan, 2015). Edelman also concluded that banks and financial services were the least trusted industries globally, and that trust in the banking industry has increased in developing markets (e.g. China, India, Mexico), but decreased in developed markets (e.g. UK, Germany, France) (Edelman, 2014b).

2.3.3 Attitudinal loyalty

Loyalty was defined as consumers' commitment to repurchase the product/service in the future, having a positive attitudinal disposition towards the brand, not switching brands when encountering situational factors or marketing offers, and willingness to recommend the brand to others (Oliver, 1999). Loyalty is considered an important element in bringing about profitable business, and researchers have been keen to find out what contributes to a company's relationship with customers and their loyalty to the brand (Mandhachitara and Poolthong, 2011). Attitudinal loyalty was defined as a customer's level of commitment towards a brand or service provider

(Chaudhuri and Holbrook, 2001). It encompassed customers' expressed preference for a company (positive word of mouth), the intention to purchase the same products/services (repurchasing intention) and other products/services (cross-buying intention) from the company (Zeithaml et al., 1996).

Empirical studies have established relationships between CSR and loyalty, especially for situations when there are benefits for stakeholders (Mandhachitara and Poolthong, 2011; Poolthong and Mandhachitara, 2009). Socially responsible companies tend to enjoy greater brand loyalty (Mackenzie, 2007) and customer satisfaction (Matten, 2006). Positive relationships between perceived quality, trust, and loyalty was found in many different research studies (Agustin and Singh, 2005; Aurier and Lanauze, 2012; Brown and Dacin, 1997; Lacey and Kennett-Hensel, 2010; Maignan, Ferrell, and Hult, 1999; Marin, Ruiz, and Rubio, 2009; Matute-Vallejo et al., 2011; Sirdeshmukh et al., 2002; Standaland et al., 2011). Research has also been able to establish a positive relationship between strategic philanthropy and customer loyalty (Luo, 2005; Salmones et al., 2009a). More recently, research efforts were put into identifying the strength of relationship between various types of CSR activities and loyalty, and it was confirmed that customer-centric, green environmental, ethical, and philanthropic CSR have all contributed to customer loyalty (Yusof, Manan, Karim, and Kassim, 2015). Empirical study has verified that consumers were not concerned about the economic responsibility of a company, hence other ethical metrics are important in building customer loyalty (Salmones et al., 2005).

CSR has a positive relationship with consumers' attitudes towards a company, its products and services, and also helps in inducing customer purchases and retention (Brown and Dacin, 1997; Creyer and Ross, 1997; Ellen, Mohr, and Webb, 2000; Feigenbaum, 1997; Murray and Vogel, 1997; Sen, Bhattacharya, and Korschun, 2006). Other researchers have found that CSR has a positive contribution to perceived quality and loyalty (Du et al., 2007; Fleishman-Hillard/National Consumers League, 2007; Mandhachitara and Poolthong, 2011; Pirsch et al., 2007; Sen et al., 2006). Research has shown that CSR perception has impacted both affective and cognitive loyalty (Plewa, Conduit, Quester, and Johnson, 2015).

Trust was proven to be an affective element that contributes to loyalty (Ball, Coelho, and Machás, 2004; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Trust was said to reinforce loyalty, because consumers perceived the reliance on a brand

they trust as leading to less uncertainty and perceived risk in purchase (Ball et al., 2004; Garbarino and Johnson, 1999; Morgan and Hunt, 1994).

Research demonstrated that by adopting a CSR approach in business practices, companies can improve their image and strategic positions among stakeholders, and achieve greater loyalty (Balmer, 2001; Balmer and Gray, 2000; Brown and Dacin, 1997; Heikkurinen, 2010; Hooghiemstra, 2000; Wang, 2009). Other researchers also found that customer loyalty led to greater sales at a premium price, greater market share and profitability (Bourdeau, 2005; Chaudhuri and Holbrook, 2001; Chiou and Droge, 2006; Reichheld, 1996).

2.4 Research gaps

As evidenced from the above discussions, CSR has become a more and more important area of interest for corporations. While there are many studies investigating the relationship between customer attitudes and behaviour in marketing, few are conducted in the CSR domain (Petty, 2006). Moreover, there is limited empirical research on the impact of CSR in the service industry, which is important for developed economies (Vargo and Lusch, 2004). Some researchers even believed that CSR research should be conducted in specific industry settings (Rowley and Berman, 2000). There are also few research studies that have explored the extent of influence of CSR on customer satisfaction and loyalty (Anderson and Mittal, 2000; Oliver, 1996). Research that evaluated customers' reactions towards banking initiatives in such areas is lacking, and there is insufficient understanding of consumers' preferences for CSR activities that benefit different stakeholder groups (McDonald and Rundle-Thiele, 2008; Pe' rez, Martí' nez, and Bosque, 2013). Although some researchers suggested that retail banking customers in general are more concerned about their personal interest, rather than environmental or societal issues, there has not been enough evidence for this view to be definitive (Chapple and Moon, 2005; Pomering and Dolnicar, 2006).

In addition, similar research in Asia is rather limited, let alone in Hong Kong (McDonald and Rundle-Thiele, 2008; Welford and Frost, 2006). Some scholars have even commented there is minimal study on CSR initiatives in business corporations in HK (Tsai, Tsang, and Cheng, 2012). It is clear that culture has affected the understanding and evaluation of CSR, which is also supported by Hofstede's cultural typology study and the global leadership and organizational behaviour effectiveness (GLOBE) study (Guenter and Agnieszka, 2013; Rigov and Zollo, 2007). Empirical

studies have also suggested that Asian companies were less focused on CSR activities that relate to internal business practices, such as equal opportunities and fair wage structure, and Hong Kong companies focused more on charity and community service (69% of companies) and environmental protection (67%) with less emphasis on stakeholder engagement (51-54%) (Guenter and Agnieszka, 2013). Hence, it would be worthwhile to investigate how people in this worldwide financial hub would perceive CSR initiatives in sizable multinational banks.

For the discussion in this study, the researcher has adopted the stakeholder theory perspective in understanding the CSR concept, and CSR was classified into two major aspects: business practice and philanthropic (Homburg et al., 2013). The model originally developed in the business-to-business context was used for testing in the banking industry and in a business-to-consumer context (Homburg et al., 2013). Stakeholder theory has tried to distinguish primary and secondary stakeholders (Freeman, 1984). The term primary stakeholders refers to people who engage in market exchange with a company and exert the greatest influence on a company's performance (Maignan and Ferrell, 2004). Amongst these primary stakeholders, perhaps the most influential ones are customers who purchase goods and services from a company, and employees who sell their labour to the company (Maignan and Ferrell, 2004). The CSR aspect for these groups of stakeholders was classified as business practice CSR (Homburg et al., 2013). Business practice CSR reputation was used to refer to a company's core business operation, which impacts its primary stakeholders, namely customers and employees, and it was shown to have a positive relationship with the building of trust in a company (Homburg et al., 2013). The community and non-profit organisations were regarded as the company's secondary stakeholders (Carroll, 1991). The company's behaviours in fostering the welfare of people in the society were reflected in the societal, ethical and philanthropic aspects of CSR (Carroll, 1991). Philanthropic CSR was used to refer to a firm's voluntary actions, aiming to contribute to society's betterment and improving the overall quality of life of people in that society (Carroll, 1991; Homburg et al., 2013). While customers may not directly benefit from a company's philanthropic actions, most think highly of a company that has committed financial and other resources to people's welfare and the betterment of society (Morales, 2005).

2.5 Summary of key contributors to CSR

Table 2.1 below summarises the key scholars who have contributed ideas, definitions and empirical research to the concept of corporate social responsibility.

Table 2.1 Key contributors to CSR

Authors	Key contribution to CSR
(Bowen, 1953)	Introduced and defined the term corporate social responsibility: “the obligations of businessmen to pursue those policies, to make decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society”.
(Frederick, 1960)	Believed that corporations should manage their business operations in order to fulfil the public’s expectations and improve socio-economic welfare.
(Davis, 1960)	Introduced the “iron law of responsibility”.
(Walton, 1961)	Believed CSR is important to society and linked corporation with society.
(Friedman, 1970)	CSR is just about maximizing its profits in a legal and ethical way. The main focus should be the shareholders’ interests.
(Johnson, 1971)	CSR is related to the interests of companies and their employees, suppliers, communities and the nation.
(Committee for Economic Development, 1971)	CSR should encompass economic, social and environmental responsibilities and put the involved parties like employees, customers, and community, in a business context.
(Davis, 1975a, 1975b)	Put economic gains and social benefits on equal footings in considering the obligations of a good corporate citizen.
(Steiner, 1971)	Believed that social interest and business interest should be considered together over the long-run.
(Sethi, 1975)	Classified CSR into three categories (social obligation, social responsibility and social responsiveness) and eight

	different dimensions (search for legitimacy, ethical/norms, social accountability for corporate actions, operating strategy, response to social pressures, activities pertaining to governmental actions, legislative and political activities and philanthropy).
(Carroll, 1979, 1983, 1991)	Introduced a corporate social performance (CSP) model, and categorized CSR into four areas, namely economic, legal, ethical and discretionary (philanthropic).
(Freeman, 1984)	Integrated stakeholder concept into strategic management. He believed that a corporation's success depends on its ability to manage its relationships with key stakeholders, including shareholders, customers, employees and communities, etc.
(Epstein, 1987)	Believed that CSR should benefit corporate stakeholders.
(Wartick and Cochran, 1985)	Corporate social performance (CSP) model introduced by Carroll was further developed to include the principles, processes and policies of social responsibilities.
(McGuire, 1988)	Believed that corporation should not only have economic and legal obligations, but should also cater to the interests and concerns of politics, community welfare, education and employee happiness.
(Wood, 1991)	Introduced a stronger outcome/performance focus perspective of CSR, and incorporated processes and policies, programmes and outcomes of CSR.
(Carroll, 1991)	Revisited his CSR definition and introduced the four categories (economic, legal, ethical and philanthropic) in a CSR pyramid with economic category as the foundation, stating that corporate efforts should be exerted to "make a profit, obey the law, be ethical, and be a good corporate citizen".
(Commission of the European	Social and environmental concerns should be integrated into business operations and stakeholder interactions of

Communities, 2001)	companies on a voluntary basis.
(Porter and Kramer, 2006)	Classified CSR into four categories, namely moral obligation, sustainability, licence to operate and reputation.
International Labour Organization (ILO). Global Reporting Initiative (GRI). United Nations Global Compact (UNGC).	Introduced CSR measurements in relation to sustainability and environmental protection (GRI, UNGC), and employee welfare (ILO). ILO – Principles and rights at work (1998). GRI – Sustainability reporting guidelines (2000). UNGC – Ten principles (2004).
Fortune. Organizations for Economic Cooperation and Development (OECD). Dow Jones. FTSE. AccountAbility. International Organization for Standardization (ISO).	Introduced CSR measurements in relation to multiple dimensions of CSR. Fortune – Fortune corporate reputation index (1997) OECD – Principles of corporate governance (1999). Dow Jones – Dow Jones sustainability index (1999). FTSE – FTSE4Good index (2001). AccountAbility – AA1000 assurance standard (2008). ISO – ISO 9000 for quality management (2005). ISO – ISO 14000 for environmental management (2004). ISO – ISO 26000: standards for Social Responsibility (2010).
(Lindgreen and Swaen, 2010; Orlitzky et al., 2003)	Investigated impact of CSR on organisational processes and business performance.
(Dahlsrud, 2008)	Reviewed CSR definitions and highlighted five most commonly mentioned dimensions of CSR, namely environmental, social, economic, stakeholder and voluntariness.

International Integrated Reporting Council (IIRC)	Introduced integrated reporting framework (2010).
(Homburg et al., 2013)	Simplified the aspects of CSR and refocused them to stakeholders : “a firm’s voluntary consideration of stakeholder concerns both within and outside its business operations”

This chapter discussed the literature related to CSR, perceived service quality, trust and loyalty. The next chapter consists of summaries of some of the key literature that has led to the evolution of CSR concepts, and how it is related to the development of this research. The theoretical framework for the research is also introduced.

CHAPTER 3 – LITERATURE SYNTHESIS AND THEORETICAL FRAMEWORK DEVELOPMENT

This chapter integrates some of the key concepts and discussions from the previous review of the literature, and highlights how these discussions have led to the development of the research framework used in this study. The proposed theoretical framework is also introduced.

3.1 Literature synthesis

3.1.1 Conceptualisation of CSR and related models

Corporations are profit-making organisations aiming solely at maximising profit for investors, until in the 1930s, when scholars like Clark (1939) began to postulate that corporations should also contribute to society, and introduced the concept of “social responsibility” (Clark, 1939). The term “corporate social responsibility” was first defined by Bowen (1953), and has sparked discussions amongst scholars and businesses on whether there is a need for corporations to not only make a profit, but also contribute to the society’s well-being (Bowen, 1953; Carroll, 1996; Schwartz and Carroll, 2008). In fact, the economist Milton Friedman (1970) disagreed with this proposition, as he believed that companies only have responsibilities to their shareholders, and hence should solely aim to maximise profits in a legal and ethical manner (Friedman, 1970). These contrasting views have resulted in discussions and empirical research by scholars like Carroll (1979), McGuire (1988), Davis (1975), and Wood (1991) (Carroll, 1979; Davis, 1975a; McGuire, 1988; Schwartz and Saiia, 2012; Wood, 1991).

More scholars have resorted to support Bowen’s (1953) view and have developed definitions and models based on theories and research, which include the “iron rule of responsibility”, introduced by Davis (1975) to restate the importance of social benefits in comparison to economic gains (Bowen, 1953; Davis, 1975a, 1975b). Carroll (1979) then developed the concept of corporate social performance (CSP) and categorised CSR into four dimensions, namely economic legal, ethical and philanthropic (Carroll, 1979, 1983). Wood (1991) refined the model by adding a focus on principles, processes and outcomes; and Carroll (1991) operationalised it with a CSR pyramid to show the importance and need for voluntary action by corporations in order to become good corporate citizens (Carroll, 1991; Wood, 1991). Dozens of definitions

were developed, and a review showed that environmental, social, economic, stakeholder and voluntary initiatives were most commonly mentioned (Dahlsrud, 2008). This has echoed the CSR pyramid developed by Carroll (1991), and also the stakeholder concept introduced by Freeman (1984) as an important strategic management tool (Carroll, 1991; Freeman, 1984).

The stakeholder theory proposed that there are important groups (e.g. shareholders, customers, employees and communities) who are affected and will affect organisations, and organisations need to manage them well in order to be successful, which means that integrating stakeholder management into corporate strategies is necessary (Freeman, 1994; Ioannou and Serafeim, 2015; Marcus and Geffen, 1998; Sharma and Vredenburg, 1998). IIRC believed that six groups of stakeholders are important, namely employees, customers, suppliers, business partners, communities and others (International Integrated Reporting Council, 2013). Homburg (2013) suggested that companies should employ business practice CSR targeting primary stakeholders, and philanthropic CSR for secondary stakeholders (Homburg et al., 2013). The reputation of business practice CSR and philanthropic CSR referred to the perception of a company's engagement in CSR activities in its business practices and philanthropic interactions (Carroll, 1991; Homburg et al., 2013). It was believed that the primary and secondary stakeholders' positive perceptions of a company's performances in these CSR activities would allow the company to create positive corporate performance (Bhattacharya et al., 2009; Luo and Bhattacharya, 2009).

3.1.2 Empirical research on the importance of CSR

Researchers have been trying to test and verify the importance of CSR in various scenarios, and findings were mostly supportive of the positive benefits of CSR initiatives. Empirical research has shown that CSR has strategic value in bringing about a competitive advantage for an organisation, which would contribute to better financial performance; and multinational firms like British Petroleum, McDonald's, Toyota, DuPont, Microsoft, Marriott, Swedbank, Ericsson, Electrolux and Dove have demonstrated such a proposition (Cone and Darigan, 2007; Dove, 2013; Isaksson et al., 2014; Porter and Kramer, 2006). Top executives from large corporations like Virgin Group, General Electric, General Motors, and PricewaterhouseCoopers have all recognised CSR's significance for the betterment of their organisations and also society at large (BBC News, 2014; Cheney, 2010). Financial market and product failure crises

have prompted corporations, like banks in the US and Europe, and corporations in various industries like Shell, Nestle, Nike, Sony, Toyota and British Petroleum, to conduct their businesses in a more ethical and socially responsible way, in order to protect their reputation and goodwill (BBC News, 2010; Esty and Winston, 2009; Godfrey et al., 2009; Isaksson et al., 2014; Janssen et al., 2014; Minor and Morgan, 2011; Porter and Kramer, 2006). CSR was also believed to help companies reduce operational, systematic, and idiosyncratic risk, and protect firms from negative assessment (Ioannou and Serafeim, 2015; Luo and Bhattacharya, 2009). Using CSR as a marketing tool was also proven to result in loyalty and financial gain, as evidenced in programmes by Patagonia, Unilever and Nestle (Businessweek, 2013a; Kotler et al., 2012; Marketingweek, 2013). No wonder companies like HSBC, Standard Chartered Bank, McDonald's, Philip Morris and many of the top Fortune 500 companies, have been injecting considerable resources into CSR initiatives (Committee Encouraging Corporate Philanthropy, 2014; HSBC, 2013, 2014a; McDonald's, 2014b; Standard Chartered Bank, 2014b).

3.1.3 Relationship between CSR, quality, trust, and loyalty

It is essential to understand the influence of CSR on profitability, as this is the major concern of investors and hence top management. Such a positive influence of CSR on profitability was shown by many research studies (Beurden and Gossling, 2008; Griffin and Mahon, 1997). In many cases, researchers have empirically proven that CSR resulted in better financial performances through the building of competitive advantage, which has led to better stakeholder relationships and hence profit (Brammer and Pavelin, 2006; Fombrun and Shanley, 1990; Griffin and Mahon, 1997; Preston and O'Bannon, 1997; Stanwick and Stanwick, 1998; Waddock and Graves, 1997; Wu, 2006). Others said that CSR helped in improving competitiveness, value for shareholders and goodwill (Gardberg and Fombrun, 2006; Girod, 2003). Researchers have also shown that CSR can induce positive attitudes, and higher purchasing intentions, and hence better economic performance (Gupta and Pirsch, 2006; Herremans et al., 1993; Wigley, 2008). In addition, CSR was proven to improve profit by helping save staff recruitment and retention costs, attract better employees, and improve employees' productivity and commitment to an organization (Albinger and Freeman, 2000; Huselid, 1995; Pfeffer, 1994; Turban and Greening, 1997). Others scholars believed that CSR helped insulate corporate reputation and stock prices from crises of various kinds (Eisingerich et al.,

2011; Godfrey et al., 2009; Klein and Dawar, 2004; Minor and Morgan, 2011; Yoon et al., 2006).

In addition to profit contribution through various means like risk reduction, employee retention and improved competitiveness, CSR was also shown to exert great influence on loyalty, which was proven to lead to better profitability (Mandhachitara and Poolthong, 2011). Research has shown that CSR reputation contributed to loyalty, both directly and indirectly, through moderating factors such as perceived service quality and trust (Berg et al., 2012; Luo and Bhattacharya, 2006; Zeithaml et al., 1996). CSR was found to induce better perceived quality and customer trust (Berg et al., 2012; Luo and Bhattacharya, 2006; Yu et al., 2005). Perceived service quality was found to have a direct impact on trust (Poolthong and Mandhachitara, 2009; Vlachos et al., 2009). Trust was proven to reduce cost and improve financial performance, and contribute to loyalty (Ball et al., 2004; Garbarino and Johnson, 1999; Morgan and Hunt, 1994). Trust was particularly important in industries with relatively standardised services offered by a small number of players, like the banking industry (Alrubaiee, 2012; Liu and Wu, 2007; Roy and Shekhar, 2010). Positive relationships between perceived quality, trust and loyalty were also found (Aurier and Lanauze, 2012; Maignan et al., 1999; Sirdeshmukh et al., 2002; Standaland et al., 2011). CSR was shown to have a close relationship with loyalty in the banking industry, and ethical and philanthropic engagements were said to contribute to trust, identification, and loyalty (Bronn and Vrioni, 2001; Salmones et al., 2009b).

3.1.4 Scepticisms about CSR

Although the vast majority of research studies have supported the positive impact of CSR initiatives, there has also been disagreement and scepticism from other scholars. Quite a few research studies that set off to investigate the contribution of CSR to financial performance have shown no relationships (from 26%-44%), or even negative relationships (from 5%-10%) (Beurden and Gossling, 2008; Margolis and Walsh, 2003; Pava and Krausz, 1996; Roman et al., 1999). Others have confirmed that philanthropy has no impact on profitability (Moore, 2001; Seifert et al., 2003, 2004), or have even shown that CSR has reduced profit or shareholders' wealth (Aupperle et al., 1985; Porter and Kramer, 2002; Preston and O'Bannon, 1997).

3.1.5 Communication and CSR reports

In order to let stakeholders understand corporations' CSR efforts, and to induce positive perceptions from stakeholders, companies have been engaging in active communication through advertising, publicity, or various types of CSR reports. Communication was believed to be essential for CSR to create positive associations and attract greater revenues for a company (Brown and Dacin, 1997; KPMG International, 2013; Luo and Bhattacharya, 2006; Porter and Kramer, 2006). Different CSR standards and measurements, and reporting frameworks were introduced in the past decades. Some focused on specific areas, like sustainability and environmental protection (e.g. the sustainability reporting guidelines by Global Reporting Initiative, ten principles by the United Nations global compact), or employee welfare (e.g. principles and rights at work by the International Labour Organization). Others have introduced CSR measurements in relation to multiple dimensions of CSR (e.g. Fortune corporate reputation index by Fortune magazine, principles of corporate governance by the Organization for Economic Cooperation and Development, Dow Jones sustainability index, FTSE4Good index, AA1000 assurance standard by AccountAbility, ISO9000, ISO14000, and ISO26000 for quality management, environmental management and social responsibility by the International Organization for Standardization). In recent years, there has also been a trend in developing integrative reporting standards (e.g. integrated reporting framework by the International Integrated Reporting Council).

3.1.6 Rationale for the research study

The service industry is essential to the economies of many developed nations, and the banking and finance industry is an important contributor to GDP generated from services. In Hong Kong, the service industry contributed 93% of GDP, with banking as the single largest contributor (9.7%) and the fastest growing industry (7.6%) (HKSAR Government, 2014a, 2014d, 2014f, 2015b). Being the third leading financial hub in the world, the banking giants have great influence on the well-being of HK's economy and its workforce. As CSR research in the banking industry in Asia is rather limited, the author wanted to investigate whether CSR actually contributes positively to loyalty and hence financial and reputational performance in the banking industry. This would help solve the mystery of whether CSR is merely a PR stunt, or whether it actually brings in more profit for an organisation. Should we adhere to Friedman's utilitarian views on profit maximisation, or is Freeman correct, that organisations need to fulfil the

expectations of various stakeholders (Freeman, 1984; Friedman, 1970)? The influence of CSR on loyalty in the banking industry in Hong Kong is investigated, with moderating factors like perceived service quality and trust. The impacts of business practice CSR reputation and philanthropic CSR reputation on customer loyalty are studied, in order to determine their importance in contributing to profit.

Achieving good financial performance is the main objective of profit-making organisations. Companies have been trying to discover ways to invest in the most effective means of generating more profit. Hence it is highly important for management to realise the contribution of different CSR practices, so as to make appropriate investments. This is the reason for the author to investigate CSR's impact on loyalty in order to determine why and how CSR is important in enhancing customer loyalty to banks in HK. While it was proven that CSR has a direct impact on loyalty, CSR was also believed to contribute to loyalty through other moderating factors, like quality perception and trust (Aurier and Lanauze, 2012; Choi and La, 2013; Homburg et al., 2013; Mandhachitara and Poolthong, 2011). As researchers did not arrive at a unified view on the differences in importance of different types of CSR, it is essential to find out the strength of such relationships. This research is hence developed, as it is expected to provide companies with the right direction for CSR engagement, and also to distinguish between CSR practices that really matter to stakeholders and practices that are perceived by stakeholders as PR window-dressing, in which the efforts and investments are not conducive to enhancing organisational reputation and financial performance.

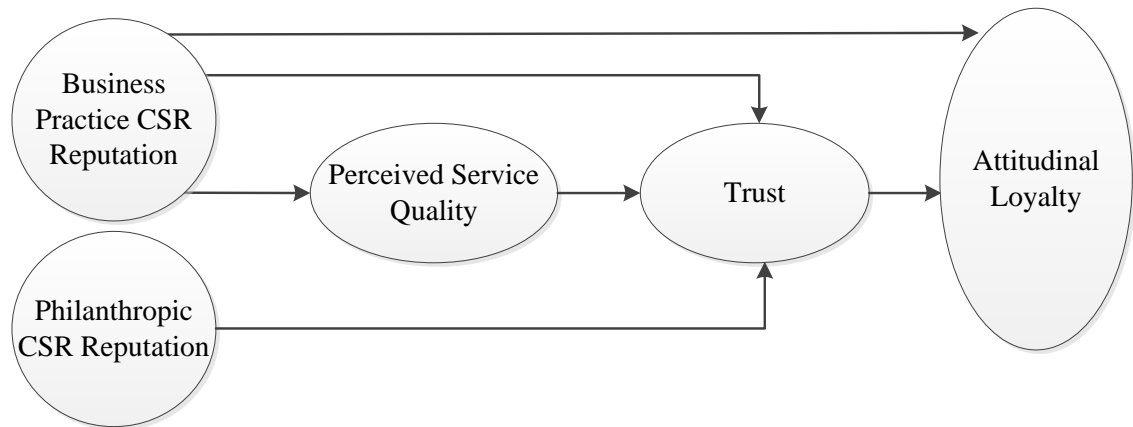
Three multinational note-issuing banks in HK, namely HSBC, BOC and SCB, were chosen for the study, and structural equation modelling (SEM) or causal model was selected. SEM is commonly used to identify direct and indirect effects on different behaviours, including loyalty (Songsom and Trichun, 2013). SEM is often used in CSR empirical research, such as studies of consumers' perceptions and behaviours, emotional commitments and attitudes, and brand image (Bigné, Currás-Pérez, and Aldás-Manzano, 2012; Cleveland, Kalamas, and Laroche, 2005; Dabija and Babut, 2014; Hoeven and Verhoeven, 2013; Podnar and Golob, 2007; Walker and Heere, 2011). It is also used to investigate CSR's influence on firms' performances and stakeholder value creation (Amin, 2011; Groves and LaRocca, 2011; Kim, Ha, and Fong, 2014; Lourenco, Jones, and Jayawarna, 2013; Qu, 2009; Torugsa, O'Donohue, and Hecker, 2013), and CSR reporting and auditing risk of CSR implementation (Janggu, Darus, Zain, and Sawani,

2014). These have demonstrated the feasibility and widespread popularity of the SEM model among CSR researchers and that SEM model is a preferred methodology for the study.

With widespread acceptance of the importance of CSR for corporations in the western world, the author intends to confirm whether CSR is also important in the banking industry in HK. Hence, this study intends to answer the question: “Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?”. The research study aims to assess if, how and why corporate social responsibility positively contributes to customer attitudinal loyalty of banks in a Hong Kong context. Using three multinational and note-issuing banks in HK – Hongkong and Shanghai Banking Corporation (HSBC), Bank of China (BOC) and Standard Chartered Bank (SCB) as case studies, the author refined the research model used in a business-to-business context and applied it in the business-to-consumer banking context with the following objectives:

- To investigate the relationship between business practice CSR reputations, perceived service quality and trust.
- To investigate the relationship between philanthropic CSR reputation and trust.
- To establish the relationship between trust and attitudinal loyalty.
- To make recommendations, based on the findings of the first three objectives, on the level of resource investment by HK banks in CSR activity, in order to enhance or maintain customer attitudinal loyalty positively and hence positively affect business reputation and financial performance.

The abovementioned objectives are operationalised from the research questions and aims, and the related constructs and relationships are incorporated into a path diagram in Figure 3.1 as follows:

Figure 3.1 Proposed SEM research model

3.2 Proposed research framework

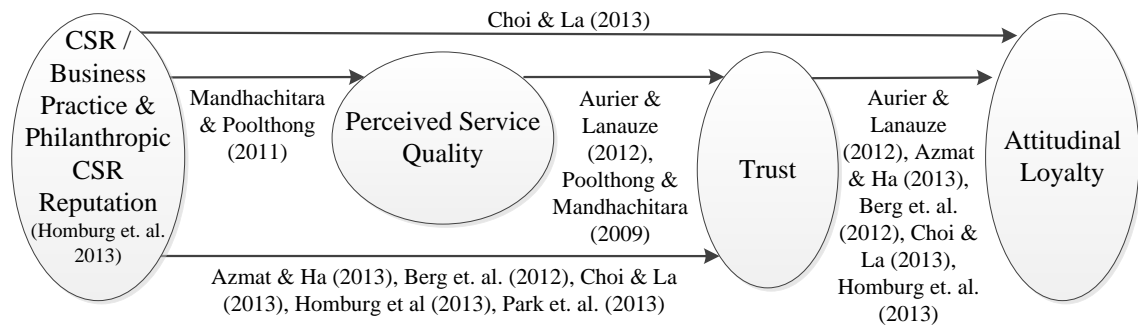
It is clear that corporate social responsibility is important for organisations, and the previous discussion showed that CSR, if done properly, could result in a good reputation (e.g. reducing idiosyncratic risk, improving stakeholders' perceptions of corporate reputation, etc) and positive financial performance (e.g. competitive advantage, financial benefits, etc) (Goyal and Santa-Clara, 2003; Hart and Saunders, 1997; Hart, 1997; Hart et al., 2003; Luo and Bhattacharya, 2009). Hence, after some 60 years of discussion and 40 years of empirical research, CSR has become a more mature topic and an important strategic management tool, which companies and scholars are keen to find out how to use it to fulfil both reputational and financial objectives. While there has been quite a number of research studies and discussions about the influence of CSR on customers' quality perception, brand trust, and even loyalty, there has been little discussion on the moderating impact of these factors on loyalty. Moreover, most analyses that tried to link CSR to trust, quality and loyalty did not distinguish between the different aspects of CSR, while some may divide CSR into too many aspects, like ethical and philanthropic aspects, where it may be hard to draw a clear line or where there might be a duplicate meaning (Park et al., 2013). Therefore, refining CSR into two major aspects, namely business practices relating to primary stakeholders, and philanthropic relating to secondary stakeholders seemed more appropriate (Homburg et al., 2013).

The studies on CSR's ability to reduce idiosyncratic risk were important, together with the introduction of the triple bottom line (TBL) framework, have helped to reinforce CSR's value in protecting organisations against negative publicity and contributing to their reputation and bottom line (Elkington, 1997; Luo and Bhattacharya, 2009). Also, few empirical research studies have demonstrated the direct linkage of

CSR and loyalty (Choi and La, 2013). Additionally, research on CSR and loyalty or company reputation has seldom focused on key service industries, which are of great importance to the productivity of highly competitive and mature markets like those in the UK and HK. It is reasonable to postulate that loyalty may form a feedback loop to reputation, because loyal customers may spread positive word-of-mouth, which may contribute to better reputation. Empirical research on loyalty has found that loyalty has an influence on repurchasing intent, satisfaction (Broyles, 2009; Chao, Lee, and Ho, 2009; Hur, Kim, and Park, 2012), and profitability (Chen, Cheng, and Hsiao, 2016; Helgesen, 2006; Pepe, Abratt, and Dion, 2011). Other research also found that reputation has an impact on loyalty (Bontis, Booker, and Serenko, 2007). As research study on the influence of loyalty on reputation is lacking, such relationship was not incorporated in this research framework, so the survey questionnaire focused on investigating the impact of the two types of CSR reputation on loyalty.

Realising there are such gaps in research, the author would like to contribute to the field of study by exploring the impact level of different aspects of CSR on trust and loyalty, and hence companies' financial and reputational performance. With 7.3 million Hongkongers living in only 1,104 square kilometres of space (Central Intelligence Agency, 2014a; HKSAR Government, 2014h), it has resulted in an extremely crowded and fast-paced city, and people are probably more likely to realise the impact of business on their environment, for example, the air-pollution from heavy traffic in the central business districts. In HK, information is passed around with immense speed due to high internet usage, at 23.7 hours per week by 4.6 million unique users (Marketing Interactive, 2014). The latest government survey showed that the personal computer has penetrated 80.4% of HK households, and the smartphone has reached the hands of 5.3 million people in HK, a staggering 83.0% penetration (HKSAR Government, 2016). In a research study by Nielsen, it was shown that people in the Asia Pacific region (64%) were more willing to, as compared to average citizens around the world (55%), pay extra for products and services from companies committed to making positive social and environmental impacts (Nielsen, 2014). Hence, a study of Asians' behaviour in a service industry, in this case Hongkongers' views on the banking industry, would probably help to shed light on what corporations should do in order to generate more profit. The intended research design is discussed in the next sections.

The following diagram (Figure 3.2) is drawn from literature of related research, and aims to provide a framework of the constructs as a basis for the research.

Figure 3.2 Framework of constructs

The intended contribution of this research was to determine the relationship (positive or negative) between CSR and loyalty, in particular business practice CSR, which is related to primary stakeholders like customers, and philanthropic CSR, which is related to secondary stakeholders like the community, and also to determine the impacts of moderating factors, like perceived quality and trust. Research has shown that perceived quality has an influence on trust (Aurier and Lanauze, 2012; Poolthong and Mandhachitara, 2009), and trust has a direct impact on loyalty (Aurier and Lanauze, 2012; Caceres and Paparoidamis, 2007; Choi and La, 2013; Homburg et al., 2013). The study aims to verify and add to previous studies, which have confirmed only part of the relationship, as stipulated in the research framework below (Aurier and Lanauze, 2012; Homburg et al., 2013; Mandhachitara and Poolthong, 2011; Park et al., 2013). This is the ‘gap’ that this research intends to address in a Hong Kong context.

By splitting CSR into its two aspects, namely business practice and philanthropic, targeting primary and secondary stakeholders, a suggested research framework is constructed, and is shown in the following diagrams (Figures 3.3 and 3.4) with the hypotheses and notations showing the relationships between the variables:

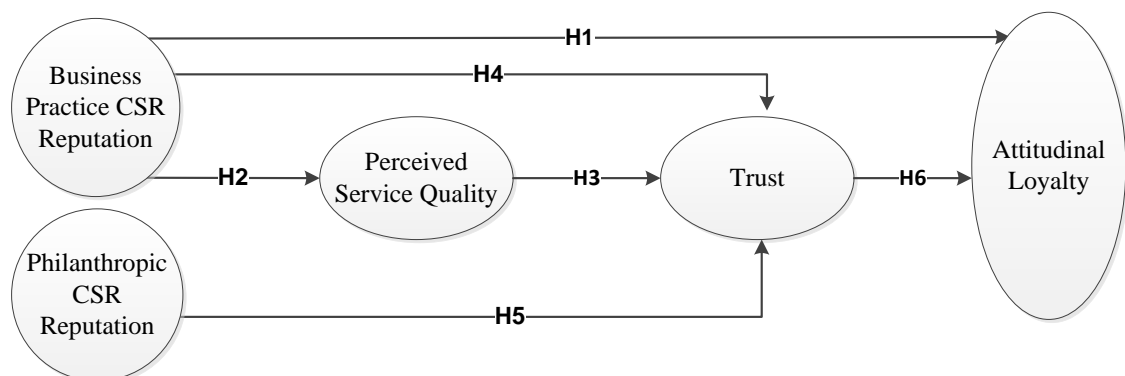
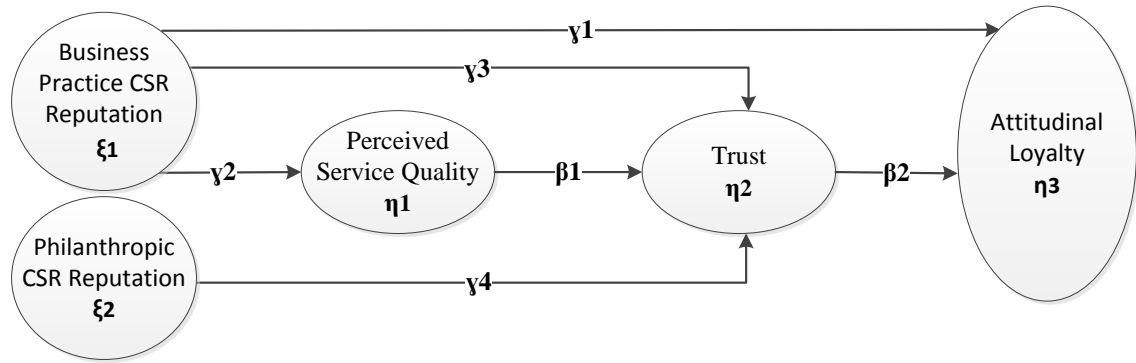
Figure 3.3 Proposed research framework

Figure 3.4 Proposed research framework – with notations showing relationships between variables



Notations

ξ : Latent exogenous (predictor) variables

η : Latent endogenous (criterion/mediator) variables

γ : Coefficient of association between one exogenous and one endogenous variables

β : Coefficient of association between two endogenous variables

With regard to statistical analysis, SPSS and AMOS are commonly used and the author would like to employ AMOS to verify the model fit (Alrubaiee, 2012). Structural equation modelling (SEM) is a statistical model used to investigate the validity of theoretical models, and it is an extension of linear modelling methods like ANOVA and multiple regression analysis (Lei and Wu, 2007). It is used to test the causal relationship between the various constructs, which uses a confirmatory approach and enables hypothesis testing of both observed and latent variables (Byrne, 2009; Lei and Wu, 2007). These properties have made SEM suitable for research on theoretical models on various aspects of people's attitudes and behaviours. Hence, in the past five years, quite a number of CSR researchers have used SEM to investigate relationships between CSR and loyalty, branding, affective commitment, financial and social performance, etc (Amin, 2011; Bigné et al., 2012; Hoeven and Verhoeven, 2013; Homburg et al., 2013; Janggu et al., 2014; Kim et al., 2014; Mandhachitara and Poolthong, 2011; Torugsa et al., 2013). While the above-mentioned researchers have used different statistical analysis software like AMOS (Hoeven and Verhoeven, 2013; Kim et al., 2014), PLS (Janggu et al., 2014; Mandhachitara and Poolthong, 2011), LISREL (Torugsa et al., 2013) and Mplus (Homburg et al., 2013), all have opted for SEM to help evaluate their theoretical models and confirm causal relationships,

suggesting the relevance of SEM. Therefore, the author would like to use SEM and AMOS for this research.

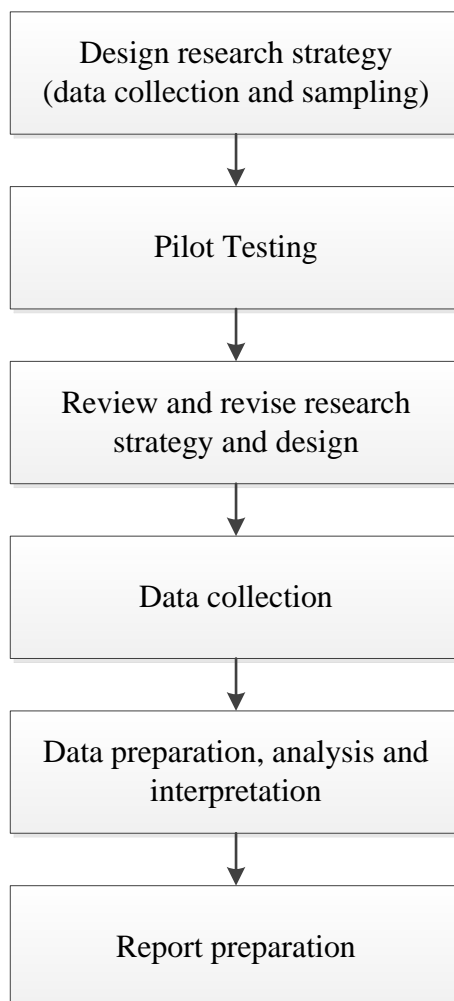
This chapter synthesises relevant literature and explains the proposed research framework. The next chapter will discuss the operationalised research hypotheses, and will elaborate on methodology and justifications for the research design.

CHAPTER 4 – METHODOLOGY

The researcher intends to find out “Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?”, and explain why and how CSR is important in enhancing loyalty to banks in HK. Three multinational and note-issuing banks in HK are used for the study to explore the relationships between business practice CSR reputation, philanthropic CSR reputation, perceived service quality, trust and attitudinal loyalty, and then to make resource investment recommendations according to the findings.

The intended research process is developed and presented in Figure 4.1 below (Blumberg, Cooper, and Schindler, 2011):

Figure 4.1 Research process



4.1 Research question, aims, objectives and hypotheses

The research question “Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?”, and the research aim is “To assess if, how and why corporate social responsibility positively contributes to customer attitudinal loyalty of banks in a Hong Kong context” was identified and operationalised into research hypotheses, and a research framework was developed accordingly. The author then selected appropriate research strategies and approaches which included how the data would be collected and samples selected from the population. Questionnaires were developed based on previous literature for pilot testing of the survey to identify areas for improvement, such as adjusting wording to make it more comprehensible. The operations and survey questions were also fine-tuned and finalised for data collection of the main study, so as to devise the best execution of data collection. Data collected were tabulated, analysed, and interpreted. The pilot study data results are presented in Chapter 5 to aid the understanding of the main study development.

Based on the relationships and constructs, as exemplified in Figures 3.2 and 3.3, which formed the basis of this research, the researcher aimed to use three multinational and note-issuing banks in HK – Hongkong and Shanghai Banking Corporation (HSBC), Bank of China (BOC) and Standard Chartered Bank (SCB) as case studies. The author refined the research model used in business-to-business context and applied it in the business-to-consumer banking context with the following objectives:

- To investigate the relationship between business practice CSR reputations, perceived service quality and trust.
- To investigate the relationship between philanthropic CSR reputation and trust.
- To establish the relationship between trust and attitudinal loyalty.
- To make recommendations, based on the findings of the first three objectives, on the level of resource investment by HK banks in CSR activity, in order to enhance or maintain positive customer attitudinal loyalty and hence create a positive business reputation and financial performance.

From these research objectives, the following operational hypotheses were developed:

Hypothesis 1

- H0: There is no relationship between business practice CSR reputation and attitudinal loyalty.
- H1: There is a positive relationship between business practice CSR reputation and attitudinal loyalty.

Hypothesis 2

- H0: There is no relationship between business practice CSR reputation and perceived service quality.
- H1: There is a positive relationship between business practice CSR reputation and perceived service quality.

Hypothesis 3

- H0: There is no relationship between perceived service quality and trust.
- H1: There is a positive relationship between perceived service quality and trust.

Hypothesis 4

- H0: There is no relationship between business practice CSR reputation and trust.
- H1: There is a positive relationship between business practice CSR reputation and trust.

Hypothesis 5

- H0: There is no relationship between philanthropic CSR reputation and trust.
- H1: There is a positive relationship between philanthropic CSR reputation and trust.

Hypothesis 6

- H0: There is no relationship between trust and attitudinal loyalty.
- H1: There is a positive relationship between trust and attitudinal loyalty.

4.2 Research approach

4.2.1 Positivism vs phenomenology

Research can be regarded as a systematic investigation into a phenomenon that interests people, in which data collected are analysed and interpreted to help achieve that understanding (Burns, 2000; Mertens, 2010). A paradigm is said to be a model, a

theoretical framework, and a way to see the world that influences how we think about a topic of interest and how we frame a research topic (Blaxter, Huges, and Tight, 2001; Mackenzie and Knipe, 2006; Mertens, 2010; Mukherji and Albon, 2010). Hence, selecting an appropriate paradigm affects how research is done, that means how we understand the phenomena in our world.

The continuum of epistemology consists of objectivism and subjectivism at two extremes (Huglin, 2003). Different theoretical paradigms were developed and discussed by scholars, including positivist, constructivist (phenomenology), pragmatism, and transformative, to name a few (Mackenzie and Knipe, 2006; Mertens, 2010). The positivist approach, one of the more commonly used paradigms, is synonymous with objectivism and empiricism (Huglin, 2003). It originated from rationalistic and empiricist philosophers like Aristotle and John Locke, who referred to it as a scientific method, which stated that causes determine outcomes (Creswell, 2013; Mertens, 2010). Positivists think there is only one world, and the world is independent of our knowledge of it, hence this method of investigating the world is value-free (Huglin, 2003; Mackenzie and Knipe, 2006; Mertens, 2010). With its roots in physical science, the underlying principle of the positivist paradigm is objectivism, and unchanging universal laws, which means that observed phenomena can be understood in a systematic way, and the underlying principles and causal relationships can be worked out (Blaxter et al., 2001; Gray, 2014; Mukherji and Albon, 2010). Positivists assume that social phenomena can be approached by scientific research methods, through making assumptions, observing and measuring so as to draw conclusions and make predictions (O'Leary, 2004). This philosophy is aligned with the confirmatory approach or deductive method in which researchers put forward theories about certain phenomena, make assumptions and develop hypotheses that are tested with empirical investigations (Gall, 2007; Johnson, 2012). It is a research approach that uses empirical investigation, and quantitative analysis to develop formal and explanatory theory (Saunders, Lewis, and Thornhill, 2012). Hence, positivist research is most commonly linked with quantitative methods of data collection and analysis (Gall, 2007; Mackenzie and Knipe, 2006).

The other extreme of the continuum of epistemology is subjectivism, synonymous with paradigms like phenomenology, constructivism and interpretivism, etc (Huglin, 2003). It stemmed from the philosophy of phenomenology developed by Edmund Husserl and the study of interpretive understanding by Wilhelm Dilthey

(Mertens, 2010). Phenomenologists reject the concept of objective research, and it is oriented towards discovery of reality which they believe is only possible through perceptions of reality, meaning that different people construct their own meaning of the world in different ways (Mackenzie and Knipe, 2006; Mertens, 2010; Sinha, 1963). Researchers generally agree that the major concern is experiential meanings (Finlay, 2009). Phenomenology believes that if we are to understand “reality”, it must be based on people’s experiences of reality, therefore, an understanding of reality depends on the interpretation of both researcher and subjects, resulting in high subjectivity (Mertens, 2010). Instead of developing and testing theoretical frameworks, theories and models are constructed from the data collected through research, which is known as an inductive approach (Creswell, 2003; Gray, 2014; Mackenzie and Knipe, 2006). Due to the belief that the world is socially constructed and hence subjective, multiple methods are required for research in order to establish different subjective views of reality, and so it enables the discovery of new ideas outside of the original research interest (Gray, 2014; Mackenzie and Knipe, 2006). Phenomenology is usually linked with relatively unstructured methods or qualitative research methods using small samples to conduct in-depth research or longitudinal research, and the difficulty of replication and generalisation is hence one of its challenges (Gray, 2014).`

Although the phenomenological approach can be more holistic, as it attempts to investigate different views of reality, it is also considered to be more influenced by the interpretation of research participants and hence is relatively more subjective (Saunders et al., 2012). Positivist research philosophy is concerned with exploring law-like generalisations, like cause and effect relationships (Saunders et al., 2012), and puts forward a stable reality where things can be observed objectively and be recorded in a quantitative manner, using specific and precise data and statistical analysis (Kura, 2012). This science-like approach emphasises explanation, prediction and control, and tries to manipulate theoretical propositions in order to fulfil the four requirements (falsifiability, logical consistency, relative explanatory power, and survival), as it believes that a falsifiable, consistent, and explanatory theory can survive through empirical tests (Lee, 1991). The law-like generalisation is the intended result of the positivist view, which is regarded as more objective and scientific, and hence suitable for management research that requires actionable conclusions (Saunders et al., 2012).

This research intended to investigate whether there was any relationship between the different constructs and whether the relationships were significant and impactful

enough for marketers to take those factors into consideration when formulating CSR strategies. As the author was to investigate causal relationships between constructs, positivism was adopted (Hirschman, 1986; Hunt, 1991). The positivist approach was linked with path analysis in exploring causal relationships, as path analysis was used to describe the dependent relationships between a set of variables (Everitt and Dunn, 2010; Hair et al., 2010; Pedhazur, 1997; Wuensch, 2012), although in reality, path analysis often reviews correlations instead of causations between variables (Everitt and Dunn, 2010; Johnson and Wichern, 2007). The path analysis approach was adopted in this research, and since some of the variables may be regarded as latent, structural equation modelling was used for analysis (Garson, 2014).

4.2.2 Inductive vs deductive research

Philosopher John Dewey has outlined a general act of thoughts of human beings that we use to make meaning, and these involve both inductive and deductive acts. (Gray, 2014). Dewey (1910) defined the inductive act of thought as the movement from the given partial and fragmented data (fact) to a suggested comprehensive situation (meaning/idea), while a deductive act referred to the movement from the suggested comprehensive meaning and ideas to the particular facts (Dewey, 1910). The inductive theory (discovery) is closely related to the constructivist and phenomenology paradigm, while the deductive theory (proof) is more often linked to the positivist view (Gray, 2014). In a research context, an exploratory research approach corresponds to the inductive method, as researchers start by making observations about reality and then search for a pattern and derive a theory/idea to explain the phenomenon; while confirmatory research corresponds to the deductive method, as the research begins with a theory about a reality, and hypotheses (predictions) are developed based on the theory and are tested through empirical research (Johnson, 2012). The inductive approach calls for plans for data collection and analysis to identify patterns that may suggest relationships among variables, which may enable the development of theories, while the deductive approach requires the development of a hypothesis for empirical investigation in order to confirm or refute the theories (Gray, 2014). While inductive research emphasises flexibility of the research to allow the researcher to make changes in a less structured qualitative research context without much concern for the generalisation of data, deductive research intends to explain causal relationships between variables with operationalised concepts, to ensure clear definitions and a highly structured approach

with sufficient samples aiming to achieve the generalisation of research results (Saunders et al., 2012). Inductive and deductive research methods are not mutually exclusive. In fact, under some circumstances (e.g. longitudinal research, or in relatively under-researched areas), both inductive and deductive research methods can be used together to aid the identification of a problem or understanding of phenomena (Gray, 2014; Mukherji and Albon, 2010). As this research adopted a positivist approach in determining the correlation between different constructs, the deductive approach was deemed to be more appropriate (Saunders et al., 2012).

4.3 Research strategy

Saunders (2012) explained in his “research onion” the different research strategies, from the continuum with a positivist philosophy and a deductive approach (e.g. experiment, survey, case study) to the other end, which adopted a pragmatic philosophy and an inductive approach (e.g. action research, grounded theory, ethnography, archival research) (Saunders et al., 2012). An experiment that originated from scientific research, and is also used in social sciences research to test the causal relationship between independent and dependent variables, and experimental and control groups, is used to compare the impact of the independent variables on the dependent ones (Hakim, 2000; Saunders et al., 2012). A large sample is required to achieve validity, which means the cost of an experiment can be high, and for this and ethical reasons, such an experiment is usually difficult to implement in business research (Hakim, 2000). Another strategy closely linked to a deductive approach and positivism philosophy is the survey. This is a strategy usually used in quantitative research, which involves studying the patterns and causal relationships between independent and dependent variables of a representative sample of the population using statistical analysis (Bryman and Bell, 2015). A survey enables researchers to do descriptive and exploratory research by collecting large amounts of data from a relatively large sample in a cost efficient way, while allowing some degree of control and representativeness so that the data is comparable and generalisable (Saunders et al., 2012). The third strategy relating to the positivist view is a case study, which is often used in explanatory and exploratory research (Saunders et al., 2012). While some scholars, like Campbell and Stanley (1966), might regard the case study as unscientific, it is actually an important research strategy when the contextual condition is important to a study, as it allows an empirical investigation of a recent phenomenon in reality,

with multiple sources of information converging in a triangulating way (Campbell and Stanley, 1966; Silverman, 2013; Yin, 2014). Multiple cases are usually preferred, because if the results of the first case occur in the other cases, it indicates generalisation and points to future research opportunities (Bryman, 2012; Saunders et al., 2012; Silverman, 2013). The fourth strategy is action research, which is often used to assess the practices and experiences of practitioners (e.g. teachers, nurses), with the focus on action and suggesting change within an organisation, usually followed up by consultants, who would diagnose organisational problems and spearhead an improvement programme (Bryman, 2012; Saunders et al., 2012).

The other research strategies have a closer link with an inductive approach, namely grounded theory, ethnography and archival research. Grounded theory is a qualitative methodology based on the inductive approach, where patterns and theories are developed based on the research data instead of on a research framework (May, 2011). It is often used in the social sciences and by management to predict and explain behaviour, and identify issues in an organisation (Bryman, 2012; Bryman and Bell, 2015; Saunders et al., 2012). Ethnography originated from anthropology and is based on an inductive approach that aims to describe and explain the subjects' social world through close observation of the people and their cultural characteristics (Bryman, 2012). While it is based on a positivist philosophy, this strategy uses a scientific approach to understand the natural environment where people live, and is therefore criticised as it over-simplified a complicated reality, and the study is time-consuming and costly (Saunders et al., 2012). Archival research is inductive in nature, as it involves a systematic review of existing administrative records and information from day-to-day activities, with the aim of exploring patterns and summarising knowledge of a particular topic, and such research can be used for exploratory, descriptive and explanatory purposes (Hakim, 2000; Saunders et al., 2012).

This research intended to find out “Does corporate social responsibility contribute positively to customer attitudinal loyalty of the banks in Hong Kong?” The research question will be addressed by using a survey research strategy that is usually associated with positivism philosophy (Saunders et al., 2012). A survey allows researchers to obtain data on practices or viewpoints by asking questions through the use of questionnaires or interviews (Malhotra, 2009), and exploring answers to questions in relation to who, what, where, and how many or how much, which are predictive in nature (Yin, 2014). A multiple case study research strategy was used, in

which three large multinational banks which are also the note-issuing banks in HK, namely HSBC, Bank of China and Standard Chartered Bank, were chosen for this study to represent the impact of CSR in the banking industry (Yin, 2014), with the intent of allowing future cross-cultural comparison. A case study is usually used to help investigate contemporary phenomena in a real-life context, and is particularly useful in answering how and why questions, hence explaining causal links in relatively complex situations (Yin, 2014).

4.4 Research Design

A mono method refers to the use of one method of research design, either a quantitative method rooted in positivism, or a qualitative method rooted in constructivism, rather than a combination of both quantitative and qualitative methods that is based on pragmatism (Saunders et al., 2012; Velez, 2008). The multi-method refers to a combination of more than one data collection method, while the mixed method refers to the use of both qualitative and quantitative methods (Saunders et al., 2012). The mixed method approach enables triangulation, which means data collection at different times or with different sources, as it balances out the potential weakness of any single method or potential bias of data collection at a given time (Gray, 2014). While the mixed method is believed to enjoy the strengths of both the quantitative and qualitative methods, it is also challenging for researchers, as it requires them to be familiar with both methods and be able to handle and combine both methods appropriately (Johnson and Onwuegbuzie, 2004).

A single data collection technique (questionnaire) and corresponding analysis (statistical analysis) was used for this study in order to test the hypotheses set in the framework in section three. The quantitative methodology was a structured approach with research processes set up prior to the beginning of data collection (Kumar, 2014), based on positivism, and the value-free, hypothetical-deductive procedures (Morales, 1995; Stanfield, 2006). Such a method enables the testing of theories and hypotheses and is replicable in other contexts, and generalisable with a large enough sample (Creswell, 2013; Johnson and Onwuegbuzie, 2004). Quantitative design and a survey research strategy were used to collect data from subjects who are currently using the banking services of one of the key multinational and note-issuing banks (i.e. HSBC, BOC, and SCB) in Hong Kong. A quantitative web-based survey is also commonly used in CSR research (Berg et al., 2012; Martínez and Bosque, 2013). The questions

were developed based on the previous research of other scholars, hence the questionnaire should be reasonably reliable and valid, and would allow generalisation to other markets or industries in future. However, these assertions were tested during the course of the research.

To verify the questionnaire and identify any possible study issues, a pilot study with 100 respondents was conducted. The pilot study used the draft questionnaire in English with translation into Chinese. Prior to the survey, it was reviewed by two university lecturers who specialise in management and marketing. The study aimed to identify whether there was any potential problem with the understanding of the draft questions, the structure and flow of the questionnaire, the structure of the proposed research model, the time required to collect the response and any other potential problems in answering the questions. As the pilot study objective was to identify problems in the questionnaire, it was important that the respondents should be willing to provide constructive feedback to help identify possible issues. The author hence invited work associates to complete the questionnaire and non-probability convenience sampling method was used. These respondents aged 25-54, have used the services of any one of the three banks for over a year. The comments and feedback received from the pilot study were used to fine-tune the wording used in the questionnaire so as to facilitate the smooth implementation of the self-administered online survey, and if necessary, the information could be used to help amend the structure of the model. Details will be reported in the pilot study section (i.e. Chapter 5.1).

The pilot questionnaire was uploaded to <http://www.qualtrics.com/> and emails were sent to colleagues; it took approximately 10 days to gather 100 responses for the online questionnaire. Verbal feedback was received concerning the understanding of certain questions, and the author used this to improve the clarity of the questions. Statistical analysis using SPSS was performed based on the data from the 100 respondents. The analysis indicated strong correlation of certain constructs, while other correlations (e.g. correlation between business practice CSR reputation and attitudinal loyalty, and correlation between philanthropic CSR reputation and attitudinal loyalty) were unclear. Some fine-tuning of the questions was required. Based on respondents' feedback, another university lecturer who specialises in communication was consulted to help fine-tune the questionnaire wording, to make it more accurate and easier to understand. Two questions were added to help further investigate the impact of

philanthropic CSR reputation on perceived service quality, trust and attitudinal loyalty. The questionnaire used in the pilot study is shown in Appendix 1.

4.5 Time horizon

Cross-sectional research was conducted to explore the relationship at a particular time. A longitudinal study was not appropriate, since the research did not intend to explore the change in the construct impact, but rather the correlation of the constructs in today's banking industry in Hong Kong (Saunders et al., 2012). This type of research is regarded as less costly, and less time consuming, and is suitable for use in a relatively larger sample size, as compared to a longitudinal study, which is usually be used in a slightly smaller sample size; but this snapshot approach would also have problems, as it is subject to time-based variations that may seriously influence the value of the results (Saunders et al., 2012).

4.6 Sample frame and type

Probability sampling refers to randomly selecting samples from the population, whereas non-probability sampling refers to sampling methods that do not use chance selection procedures, but instead rely on the judgment of the researcher or the convenience of sampling procedures (Greenfield, 2002; Malhotra, 2009). To test the hypothesis developed in the proposal, the research sample should, by rights, be randomly selected. However, with limited access to the population and limited resources in conducting random sampling research, the author has resorted to using non-probability sampling. To accommodate the non-probability issue, the following measures were adopted: a) the main study sample must be large enough to assume a normal population distribution and gain reliable insights through the data (Dierckx, 2013); this is supported by the central limit theorem, which argues that an increased sample size allows the sample mean distribution of a randomly selected sample to approach a normal distribution (Malhotra, 2009); and b) AMOS software with the use of subsequent partial least squares version (Smart PLS3.0) allows and accounts for non-random data. With the help of the sample size calculator from survey websites SurveyMonkey and CheckMarket, it was found that the required sample size at a 95% confidence level and a 5% margin of error for a population of 7.3 million was 385 (CheckMarket, 2015; SurveyMonkey, 2015). Previous research showed that it is

important to maintain accuracy and precision of the sample (Berg et al., 2012; Dierckx, 2013; Morris, 2014).

With this in mind, a multi-stage sampling method was adopted with quotas within the stages, which was a two-stage judgmental sampling process in order to ensure greater representation of the data (Malhotra, 2009; Martínez and Bosque, 2013). A sample of 400 customers of the selected multinational banks (HSBC, BOC, Standard Chartered Bank) age between 25-54 were invited to answer the questionnaire (Malhotra, 2009). The customers had to have at least a one-year relationship with any of the banks, as they needed to have had some interaction with the banks in order to comment on their business practices and philanthropic activities. This group (out of a total population of 3.5 million) was chosen because they are of great importance to HK, constituting 76% of HK's working population and 49% of the total population in HK (HKSAR Government, 2011, 2014g). The quota was allocated based on the proportion of different age groups with reference to the Census data from HKSAR government as at the end of 2013, as listed in Table 4.1 below (HKSAR Government, 2014g). Since HSBC is significantly bigger in HK, especially due to its long history and solid foundation in HK, it drew 70% of the total number of respondents, while the remaining 30% of respondents are customers of Standard Chartered Bank and Bank of China (Hong Kong Business, 2014). The detailed breakdown is listed in Table 4.1 as follows.

Table 4.1 Detailed breakdown of sample distribution vs HK population

Age	Total Population	Male					Female					Total Sample		
		Population		Sample size	HSBC	BOC & SCB	Population		Sample size	HSBC	BOC & SCB	Sample size	HSBC	BOC & SCB
25-34	1,106,300	466,500	13.3%	53	37	16	639,800	18.2%	73	51	22	126	88	38
35-44	1,141,500	468,900	13.4%	53	37	16	672,600	19.2%	77	54	23	130	91	39
45-54	1,258,400	577,200	16.5%	66	46	20	681,200	19.4%	78	55	23	144	101	43
Total	3,506,200	1,512,600	43.1%	173	121	52	1,993,600	56.9%	227	159	68	400	280	120

(Source: HKSAR Government, 2014g)

In order to create a more representative sample and minimise the sampling error, a proportionate stratified random sampling method was used with three different strata employed for sampling (Malhotra, 2009; Wilson, 2006). The population was divided into three subsets or strata, with the first stratum being the company, the second age, and the third sex/gender. Questionnaires received from respondents were randomly chosen to fill the quota of these three strata respectively (Wilson, 2006). A sample of 400 customers of the selected multinational banks (Hongkong and Shanghai Banking Corporation, Bank of China, Standard Chartered Bank) age between 25-54 were invited to answer the questionnaire (Malhotra, 2009). The first stratum is the customer's

association with the different companies, namely the three banks used in the research (i.e. HSBC, SCB, and BOC). The customers should have had at least a one-year relationship with any of the banks, as they need to have encountered the bank and banking staff in order to be able to comment on the bank's business practices and philanthropic activities. Since HSBC is significantly larger in HK due to its long history and foundation in HK, and it has contributed to 49.1% of total assets and 63.4% of net profit to the licensed banks in HK, the proportion of respondents was proposed to be 70% of the total number of respondents. As BOC and SCB contributed 20% and 11% to total assets and 17% and 7% to net profit respectively, the respondents for BOC and SCB would therefore be 20% and 10% respectively (KPMG, 2014). The second stratum is age, and the people age between 25-54 were chosen (out of a total population of 3.5 million) because they are important to HK since they constitute 76% of the working population and 49% of the total population (HKSAR Government, 2011, 2014g). This age group was divided into three subgroups according to the distribution in the government census (HKSAR Government, 2014h). The third stratum is sex/gender. Within the 25-54 age group, there are 43.1% males and 56.9% females in HK as of the end of 2013 (HKSAR Government, 2014g). The detailed breakdown of the quota is listed in Table 4.2 as follows.

Table 4.2 Sample distribution per strata

Total Sample Size: 400

Strata 1: Company	HSBC (70%)	280	BOC (20%):	80	SCB(10%):	40
Strata 2: Sex	Male:	121	Male:	35	Male:	17
	Female:	159	Female:	45	Female:	23
Strata 3: Age		<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>
	25-34	37	51	25-34	11	15
	35-44	37	54	35-44	11	15
	45-54	46	54	45-54	13	16
				45-54	7	8

The survey was arranged as a self-administered online survey, designed to fit with the lifestyle and environment of HK. The people of HK have a busy lifestyle and they work 45 hours per week on average (HKSAR Government, 2014b). The environment is congested, with polluted air in many parts of the city centre, and the weather is hot and humid, making it difficult to conduct research on the street as people are hurrying for work and unwilling to stop to answer survey questions. Also, the internet is ubiquitous in Hong Kong due to high penetration of internet usage (75% in 2013), household broadband availability (83% in 2015) and mobile phone usage (233% in 2015) (HKSAR Government, 2015a). HK residents are therefore accustomed to

doing things (e.g. shopping, information searches) via an online platform at their leisure, making a self-administered online survey a viable choice of research methodology.

4.7 Data collection method

4.7.1 Quantitative vs qualitative research

Both quantitative and qualitative research methods are widely used in business research. Quantitative research refers to those data collection (e.g. questionnaire) and analysis (e.g. statistical analysis) techniques that generate or use numerical data, while qualitative uses non-numerical data for data collection (e.g. interview) or analysis (e.g. categorization) (Saunders et al., 2012). Quantitative research aligns with positivist philosophy (the hypothetical-deductive approach), and is believed to be effective for research with a large sample size as statistical analysis can be used (May, 2011; Morales, 1995). Reality is believed to be quantifiable and measurable, and is independent of personal experience (Gall, 2007; Velez, 2008). Quantitative studies are time replicable due to the rigour in developing and operationalising the constructs in the framework, which make it valid and reliable in different contexts (Creswell, 2013). Qualitative research is linked to constructivist paradigm and is intended for use in investigating how respondents perceive and interpret their own reality (Bryman and Bell, 2015). For CSR research in China, approximately 60% reported using the quantitative research method (Moon and Shen, 2010). As this research adopted a positivist philosophy and deductive approach, a quantitative research method is more appropriate.

4.7.2 Questionnaire design

The research questions were adapted from research studies from other scholars. For example, questions in relation to business practice CSR reputation and philanthropic CSR reputation were adapted from the research by Homburg (2013) and Poolthong (2009). Some examples of the questions that were used include: “Company X provides full and accurate information to all its customers”, “Company X follows high ethical standards in its business operations”, “Company X integrates charitable contribution into its business activities”, “I consider company X as our first choice for the purchase of such service”, “I intend to do more business with company X in the future”, and “Staff of company X are competent and they provide reliable service”, “Company X offers convenience in location and service hours and great variety of

services” (Homburg et al., 2013; Poolthong and Mandhachitara, 2009). The questions were set using a seven-point Likert scale to determine the level of agreeability from the subjects (Martínez and Bosque, 2013). The questionnaire was piloted with 100 subjects to test the understanding and feasibility of the questions, and whether subjects were able to finish the questionnaire within a reasonable amount of time, without any guidance from interviewers. The questionnaire was designed to cover the items relating to the constructs developed from the research framework for this study. For each variable relating to these measures, the respondents were asked to indicate their agreement with each statement using the seven-point Likert scale ranging from “1-strongly disagree” to “7-strongly agree”. Tick-box response was adopted so that the quantitative data obtained could be transferred for subsequent data extraction and analysis. The usage of a multi-item Likert scale was evident in different CSR research (Berg et al., 2012; Choi and La, 2013; Martínez and Bosque, 2013). The age brackets, job categories, income ranges and educational levels used in the questionnaires were determined based on the categorization used by the HKSAR government in the 2011 population census (HKSAR Government, 2013). The questionnaire used in the main study is shown in Appendix 2.

4.7.3 Data collection technique

Adopting a positivist philosophy, deductive approach and survey methodology, this research has used a quantitative research method. A few data collection techniques were available, such as structured observation, structured interview with standardised questions, and questionnaire. In order to collect data from a representative sample, the research was conducted by means of a self-administered online questionnaire, which allowed collection of data for statistical analysis and that may suggest certain relationships of the constructs proposed in the theoretical framework (Saunders et al., 2012).

4.7.4 Access to respondents

With the suggestions and comments received from the pilot study, the questionnaire was developed using qualtrics.com, and the author sent the web-link to fellow professionals who were relevant subjects. And the web-link was also posted on popular forums (e.g. discuss.com, my3q.com, baby-kingdom.com, surveymonkey.com) and social media (e.g. Facebook, Instagram) in Hong Kong. After the first two weeks

of sending the request, the author checked the response rate and sent reminder emails to the subjects. If the quota was not met within the first month, the author asked fellow professionals to send email solicitations through their network to people who have patronised the three banks for over one year. Follow-up reminders were sent in the second month to ensure that the target to meet the 400 sampling quota within three months was met.

The questionnaire was posted on popular social media in Hong Kong. The author sent a web-link to colleagues to solicit their help. Should the response rate have been significantly lower than expected and the quota not met within the first two months, even after follow-up emails were sent, the researcher intended to outsource the data collection process to a research company and make use of their database resources. A medium-sized research company was identified and initial contact was made in case help was required. It turned out that the help was not required.

The survey was communicated to work associates by providing them with the web-link through email and social media, and they were encouraged to pass it on to people who have a banking relationship with the three banks in the study. No incentives were provided to any of the respondents, and they participated in the survey on a voluntary basis. The survey was self-administered online through qualtrics.com, and no names were requested from respondents for identification, hence the respondents remained anonymous. Also, the author was the only person with access to the survey accounts which were password protected. Data leakage was avoided and that data would be destroyed after the completion of the dissertation.

4.7.5. Research ethics

Ethical issues were considered throughout the research design process. The researcher abided by the Heriot Watt University code of practice and other ethical considerations in research. Confidentiality, transparency, and consent are some of the principles used for the study, hence respondents were informed of the survey purpose, they were invited for voluntary participation without any incentive and they understood they could quit the survey anytime during the process (Wilson, 2006). The researcher endeavoured to protect the anonymity of the respondents by not requiring any name or identification for the survey. To ensure confidentiality, the author was the only person with access to the research data, which were password protected and would be destroyed after the completion of the research study.

4.8 Data analysis method

Quantitative data and a statistical hypothesis testing approach were used to analyse data collected from the survey to deduce the impact of each construct (Kura, 2012), with the intention to determine the chain of events that were logically linked together to produce a certain result, in this case, attitudinal loyalty. Making reference to similar frameworks in other research studies (Aurier and Lanauze, 2012; Choi and La, 2013; Homburg et al., 2013), it was believed that structural equation modelling (SEM) is an appropriate data analysis method for verifying multiple regression and testing the hypotheses in the proposed research framework in the path diagram shown in section 4 (Byrne, 2009; Hair et al., 2010; Hox and Bechger, 1998). Path analysis was adopted since measured or observed variables, in this case attitudinal loyalty, are of primary interest in the theoretical framework (MacCallum and Austin, 2000).

Data collected through the research websites were extracted and administered for analysis by the author using the AMOS package, which combines a computing engine for structural equation modelling (SEM) with a graphical interface, and enables graphical presentation of the parameters in a path diagram (Arbuckle, 2011). It allows researchers to specify, assess, and present a theoretical framework clearly in a path diagram, and to show and test hypothesised relationships between variables (Arbuckle, 2011). AMOS enables simultaneous overall tests of model fit and comparison of regression coefficients, means and variances (SPSS, 2007). Confirmatory factor analysis (CFA) techniques were used to estimate the factor loading in the framework (Hox and Bechger, 1998; Kline, 2010). Overall fit with the data, reliability, and convergent and discriminant validity were measured (Choi and La, 2013). The structural relations of the proposed variables were analysed using a structural equation model, and the psychometric properties (reliability and validity) were evaluated using confirmatory factor analysis (CFA) in relation to the constructs in the framework. Cronbach's alpha, t-value, average variance extracted (AVE), and Pearson's coefficient were used to test convergent validity, internal consistency and reliability, and discriminant validity (Choi and La, 2013; Fornell and Larcker, 1981; Hair et al., 2010; Malhotra, 2009), these are commonly used in CSR research (Berg et al., 2012; Choi and La, 2013; Martínez and Bosque, 2013). Chi-square test and comparative fit index (CFI) were used to assess how well the hypothesised model fits with the data collected (Hox and Bechger, 1998; Kline, 2010), so as to decide whether the relationship between the variables in the proposed framework was plausible (Lei and Wu, 2007).

All hypotheses were tested at a minimum of the 5% level of significance to determine if the null hypotheses can be rejected. The unit of analysis was the bank-customer relationship, in terms of the number of respondents and their ratings of the importance of various constructs in the framework. Based on the results, recommendations were made on the level and appropriateness of resources to commit to CSR activities.

4.9 Reliability, validity and transferability

To minimise the total measurement errors (systematic error and random error) of research, a multi-item scale research should be evaluated for its reliability and validity, and a research measurement that is perfectly valid and reliable would mean there is no measurement error (Malhotra, 2009).

Validity concerns how correct the measurement is, so that the differences in the measurement reflect the true differences that is being measured (Churchill, Brown, and Suter, 2010). Validity could be assessed in four different ways, namely content validity, criterion-related/predictive validity, construct validity and discriminant validity (Berg et al., 2012). Content validity is also called face validity, and it refers to how adequate the measurement is in capturing the study's important characteristics; predictive validity is about how useful the measurement tool is in predicting behavioural characteristics; construct validity refers to how well the measurement method captures the essence that the construct is supposed to measure; discriminant validity concerns the degree to which different variables are measuring the same concept (Berg et al., 2012; Churchill et al., 2010; Malhotra, 2009). Content validity can be improved by pretesting on a small group of respondents to ensure the measurement is adequate, and discriminant validity can be assessed by Pearson's coefficient (Berg et al., 2012).

Reliability refers to the study's ability to obtain consistent scores if repeated measurements were made at different times and situations (Malhotra, 2009). To assess reliability, test-retest, alternative forms and internal-consistency methods are used; test-retest allows the measurement to be done multiple times to determine whether there is a high correlation of the data; alternative forms or interjudge reliability uses different scale forms or judge to evaluate the same subjects; internal consistency is assessed by using multiple items to measure the same constructs (Churchill et al., 2010; Malhotra, 2009). Cronbach's alpha test is considered a commonly used approach to measure

internal consistency and is particularly useful for multi-item scale with the interval level of measurements (Blumberg et al., 2011).

Transferability is synonymous with generalisability and external validity, which refers to the extent to which the research findings are applicable to other settings such as other countries or other organisations (Berg et al., 2012; Saunders et al., 2012). While it is not possible for a theory or research to be generalisable to all populations, it is possible for a research study to have some transferability. With the use of survey and quantitative data collection and analysis, together with adopting a multiple-case study approach, and robust scrutiny of the questions in the survey, there is a possibility for this research to be applicable to the banking industry in other countries, or to other service industries in HK (Saunders et al., 2012).

This chapter discussed the research design and methodology. With the help of the feedback received from the pilot study, the author fine-tuned the questionnaire and commenced data collection for the main study. The findings of the research pilot study and main study are reported in the next chapter.

CHAPTER 5 – DATA COLLECTION AND ANALYSIS

This chapter includes the discussion of the design of the pilot study and its findings, and how these findings have informed the main study. Then the main study results are reported and analysed using AMOS and SPSS statistical packages.

5.1 Pilot study

5.1.1 Pilot study design

The pilot study was designed with the aim of testing the questionnaire and the survey platform to ensure the main study could be carried out smoothly. A survey was conducted, using a structured questionnaire, with a convenience sample of 100 respondents who patronised a bank in HK for over one year and had used its services most frequently in the previous six months. The criteria for selecting the sample, i.e. Hong Kong residents who have patronised the bank for over one year, were the same as those in the main study. The questionnaire was designed based on literature in relation to the constructs in the proposed research framework (see Figure 3.2). A total of 29 questions for the five constructs, and four questions for demographics were asked (Table 5.1). For each variable relating to the constructs, respondents were asked to indicate their agreement for each statement using the seven-point Likert scale ranging from “1-strongly disagree” to “7-strongly agree”. The questionnaire was posted on online research channel qualtrics.com and the web-link was sent to approximately 200 fellow colleagues and other professional connections. Data from 100 valid questionnaires were collected for analysis. The questionnaires were screened for completeness and those which were not completed were discarded. Questionnaires were designed for the five constructs in the proposed research framework (Figure 3.2) and are listed below in Table 5.1 with indicators for each question.

Table 5.1 Questionnaire constructs and variables

Constructs	Indicators	Questions
Business practice CSR reputation	BP_CSR1	The bank follows employee-friendly rules and policies.
	BP_CSR2	The bank offers fair compensation and equal employment opportunity.
	BP_CSR3	The bank provides working conditions that safeguard the health and safety of its employee.
	BP_CSR4	The bank follows high ethical standards in its business

		operations and behaves ethically with its customers.
	BP_CSR5	The bank respects customer rights beyond the legal requirements and economic performance.
	BP_CSR6	The bank provides full and accurate information to all its customers.
	BP_CSR7	The bank behaves honestly with its customers.
Philanthropic CSR	P_CSR1	The bank supports talent development (e.g. education scholarships).
	P_CSR2	The bank gives back to the charities and communities in which it does business.
	P_CSR3	The company integrates charitable contributions into its business activities.
	P_CSR4	The bank helps the communities in distress, e.g. disadvantaged people, disaster relief, anti-drug.
Perceived service quality	PSQ1	This bank offers good quality service.
	PSQ2	The physical facilities, equipment and appearance of the bank's personnel are of high quality.
	PSQ3	The bank has the ability to perform the promised service dependably and accurately.
	PSQ4	The bank is willing to help customers and provide prompt service.
	PSQ5	The bank has the knowledge and courtesy of employees and their ability inspires trust and confidence.
	PSQ6	The bank provides caring and individualized attention to its customers.
Trust	TR1	In general, I trust the bank.
	TR2	The bank is honest and treats me fairly and justly.
	TR3	I believe the information provided by the bank.
	TR4	The bank is trustworthy, I can rely on it.
	TR5	When making important decisions, the bank considers our welfare as well as its own.
	TR6	When I share my problem with the bank, I know that it will respond to me with understanding and enough consideration.
Attitudinal loyalty	LTY1	I am a loyal customer of this bank.
	LTY2	I say positive things about this bank.
	LTY3	I will recommend this bank to other people.
	LTY4	I will patronize this bank next time I need this kind of service.
	LTY5	I always try to patronize this bank because it is the best choice for me.
	LTY6	I intend to do more business with the bank in the future.

The pilot study was conducted based on the above mentioned design, and data analysis is reported in the next paragraphs.

5.1.2 Pilot study – profile of respondents and descriptive statistics

Key findings from the pilot study and the items learned were used to inform the main study. Data analysis was performed using SPSS 23. Sample demographics and descriptive statistics were calculated and the results are shown in Tables 5.2 and 5.3 below.

Of the 100 valid responses, 49 (49%) and 51 (51%) were male and female respectively. The sample was slightly skewed to young adults with 46 (46%) out of 100 observed respondents aged 18-24, followed by the group of respondents aged 25-29 (11%). Most respondents (58%) had a relatively high level of education, at degree level or above. The average monthly income of HK people was HK\$14,800 as of mid-2014 (HKSAR Government, 2014i). The majority of respondents (66%) earned a monthly income from HK\$0-\$14,999, and the others (34%) earned HK\$15,000 or above. Details of the data are shown in Table 5.2 below.

Table 5.2 Pilot study – sample demographics

Item	Variable	N	Cumulative percentage
Gender	Male	49	49.0
	Female	51	100.0
	Total	100	
Age	18-24	46	46.0
	25-29	11	57.0
	30-34	6	63.0
	35-39	5	68.0
	40-44	7	75.0
	45-49	8	83.0
	50-54	7	90.0
	55 or above	10	100.0
	Total	100	
Education	Primary school or below	7	7.0
	Secondary school	13	20.0
	Diploma/Certificate/Sub-degree	22	42.0
	Degree or above	58	100.0
	Total	100	
Income	\$5,999 or below	36	36.0
	\$6,000 – \$9,999	15	51.0
	\$10,000 – \$14,999	15	66.0
	\$15,000 – \$19,999	13	79.0
	\$20,000 – \$24,999	2	81.0
	\$25,000 – \$29,999	2	84.0
	\$30,000 – \$39,999	8	92.0
	\$40,000 – \$59,999	6	98.0
	\$60,000 or above	2	100.0
	Total	100	

Sample demographics (Note: N=100)

Descriptive statistics were calculated and it was found that, on a 7-point scale, business practice CSR reputation (BP_CSR) had the highest composite score of 5.414, reflecting that the respondents believed the banks they patronise did possess good business practice CSR reputation. According to the results, banks that provided working conditions that safeguard the health and safety of employees, and those that behaved honestly with customers are most likely to gain good business practice CSR reputation, with the highest category mean scores at 5.63 out of 7. This was followed by banks that provided full and accurate information ($\mu=5.62$), and those that have high ethical standards in their business operations and behaved ethically with their customers ($\mu=5.61$). However, customers did not perceive that their bank respected customer rights beyond the legal requirements and economic performance ($\mu=4.98$).

Philanthropic CSR reputation (P_CSR) had a composite score of 5.055 out of 7, showing that respondents perceived the banks they patronise as having good philanthropic CSR reputation. Customers perceived their banks give back to charities and the communities in which they do business ($\mu=5.33$), followed by banks that support talent development ($\mu=5.25$). However, banks that have integrated charitable contributions into their business activities ($\mu=4.92$) and helped the needy in their communities' ($\mu=4.72$) are not as effective in contributing to philanthropic CSR reputation.

The composite score for perceived service quality (PSQ) was 5.303 out of 7, indicating that respondents perceived the banks they chose as having high service quality. All of the indicators were of similar importance, in which the ability to perform the promised service dependably and accurately was most important ($\mu=5.39$), while the least important was providing individualised attention to customers ($\mu=5.24$).

The composite score of trust (TR) was 5.378, suggesting that respondents had high levels of trust in the banks they patronise. Results showed that respondents thought the banks were trustworthy and reliable ($\mu=5.55$). They believed they could trust them ($\mu=5.45$) as they found the banks were honest and treated them fairly ($\mu=5.46$) and believed in the information the banks provided ($\mu=5.46$). However, respondents were less certain when it came to making important decisions or when sharing their problems with their banks, as to whether the bank considered their welfare as well as its own ($\mu=5.16$), and whether the bank responded with understanding and enough consideration ($\mu=5.20$).

The composite score of attitudinal loyalty (LTY) was 5.15 out of 7, showing a high level of attitudinal loyalty. Respondents perceived themselves to be loyal customers ($\mu=5.25$) who will patronise the bank next time ($\mu=5.24$), but they were less convinced they would recommend it to others ($\mu=5.09$), or do more business with the bank in the future ($\mu=5.01$).

There were relatively small differences between question scores. It seems to indicate that respondents were either generous in giving scores, or that they had not had a close encounter with their bank in the past, and so did not have a clear understanding of the bank's CSR practices. It could also be possible that they were using their perceptions of the bank's philanthropic CSR reputation to infer the bank's business practice CSR reputation. It was believed that the main study, with a bigger sample, would be able to provide more insight on this phenomenon. The details of the descriptive statistics are presented in Table 5.3 below.

Table 5.3 Pilot study – descriptive statistics

Constructs	Indicators	Mean	Standard Deviation	Variance	Composite Mean	Variance
Business practice CSR	BP_CSR1	5.13	1.269	1.609	5.414	1.134
	BP_CSR2	5.30	1.227	1.505		
	BP_CSR3	5.63	0.960	0.922		
	BP_CSR4	5.61	1.188	1.412		
	BP_CSR5	4.98	1.517	2.303		
	BP_CSR6	5.62	1.293	1.672		
	BP_CSR7	5.63	1.212	1.468		
Philanthropic CSR	P_CSR1	5.25	1.048	1.098	5.055	1.026
	P_CSR2	5.33	0.975	0.951		
	P_CSR3	4.92	1.245	1.549		
	P_CSR4	4.72	1.248	1.557		
Perceived service quality	PSQ1	5.30	1.049	1.101	5.303	0.996
	PSQ2	5.31	0.982	0.964		
	PSQ3	5.39	1.014	1.028		
	PSQ4	5.27	1.127	1.270		
	PSQ5	5.31	1.143	1.307		
	PSQ6	5.24	1.240	1.538		
Trust	TR1	5.45	0.968	0.937	5.378	1.162
	TR2	5.45	1.067	1.139		
	TR3	5.46	1.176	1.382		
	TR4	5.55	1.058	1.119		
	TR5	5.16	1.346	1.813		
	TR6	5.20	1.239	1.535		
Attitudinal Loyalty	LTY1	5.25	1.192	1.422	5.147	1.579
	LTY2	5.21	1.258	1.582		
	LTY3	5.09	1.422	2.022		
	LTY4	5.24	1.249	1.558		
	LTY5	5.08	1.376	1.893		
	LTY6	5.01	1.352	1.828		

5.1.3 Pilot study – measurement model

Measurements aiming to verify the validity of the pilot study are shown in Table 5.4 below. The partial least squares (PLS) technique and SmartPLS 3.0 software were used for data analysis for this small-sample pilot study. PLS is a structural equation modelling technique used to analyse latent, unobserved concepts with multiple observed indicators, and also confirm the validity of the constructs and assess the relationships between them; it has the additional advantage that it can be used on non-random samples (Henseler et al., 2014). Convergent validity was tested to ensure strong relationships amongst indicators in the same construct by examining the correlation between them.

The measurement scales were evaluated using the following criteria suggested by Fornell and Larcker (1981), and Chin (1998): a) all indicator factor loadings should be significant and exceed 0.5, b) composite reliability should exceed 0.7, and c) average variance extracted (AVE) from each construct should exceed 0.5. The Cronbach's alpha scores ranged from 0.919 to 0.983, which was greater than the recommended minimum level of 0.7, indicating strong internal reliability. The composite reliabilities of constructs ranged from 0.943 to 0.986, with all values above the recommended level of 0.7. The AVE values, ranging from 0.742 to 0.922, were greater than the recommended 0.5 level. Therefore, all three conditions for convergent validity were met. Detailed data are presented in Table 5.4 below.

Table 5.4 Pilot study – the measurement model

Constructs	Indicators	Factor loadings	t-value	Average Variance Extracted (AVE)	Composite Reliability (CR)	Cronbach's alpha (α)
Business practice CSR	BP_CSR1	0.859	29.225	0.742	0.953	0.942
	BP_CSR2	0.898	46.602			
	BP_CSR3	0.827	24.435			
	BP_CSR4	0.899	50.036			
	BP_CSR5	0.786	18.234			
	BP_CSR6	0.883	41.865			
	BP_CSR7	0.873	37.308			
Philanthropic CSR	P_CSR1	0.897	43.468	0.804	0.943	0.919
	P_CSR2	0.901	45.442			
	P_CSR3	0.903	49.697			
	P_CSR4	0.886	36.581			
Perceived service quality	PSQ1	0.935	64.663	0.837	0.968	0.961
	PSQ2	0.906	36.729			
	PSQ3	0.929	50.526			
	PSQ4	0.916	38.225			

	PSQ5	0.943	55.135			
	PSQ6	0.856	23.085			
Trust	TR1	0.959	81.562	0.894	0.981	0.976
	TR2	0.978	174.792			
	TR3	0.947	79.308			
	TR4	0.945	75.121			
	TR5	0.899	38.207			
	TR6	0.944	69.868			
Attitudinal Loyalty	LTY1	0.937	52.800	0.922	0.986	0.983
	LTY2	0.962	77.561			
	LTY3	0.967	105.639			
	LTY4	0.966	110.782			
	LTY5	0.962	107.014			
	LTY6	0.967	130.775			

5.1.4 Pilot study – correlation matrix and regression analysis

Table 5.5 below shows the relationships between the constructs in the theoretical model. It shows that correlations amongst all the constructs are significant at the 0.01 levels.

Table 5.5 Pilot study – correlation matrix

<i>Pearson Correlation</i>	Business practice CSR reputation	Philanthropic CSR reputation	Perceived service quality	Trust	Attitudinal Loyalty
Business practice CSR reputation	1				
Philanthropic CSR reputation	.721**	1			
Perceived service quality	.818**	.807**	1		
Trust	.820**	.813**	.916**	1	
Attitudinal Loyalty	.726**	.750**	.798**	.862**	1

Note: **. Correlation is significant at the 0.01 level (2-tailed).

Positive and significant relationships were found between business practice CSR reputation and perceived service quality (p-value < 0.001; β = 0.766; t = 14.058), and between business practice CSR reputation and trust (p-value < 0.01; β = 0.182; t = 2.178), therefore supporting H2 and H4 respectively. A significant relationship was also found between philanthropic CSR reputation and trust (p-value < 0.001; β = 0.766; t = 14.058), thus supporting H5. Positive and significant effects were found for perceived service quality on trust (p-value < 0.001; β = 0.673; t = 8.036), and also for trust on attitudinal loyalty (p-value < 0.001; β = 0.947; t = 9.048), hence supporting H3 and H6

respectively. However, business practice CSR reputation and attitudinal loyalty were found significant at $p\text{-value} > 0.05$ ($p\text{-value} = 0.071$, $t = 0.668$), which did not support H1. Table 5.6 below summarises the hypothesised paths in the proposed research framework and the corresponding regression test results, including the path coefficients and their significance.

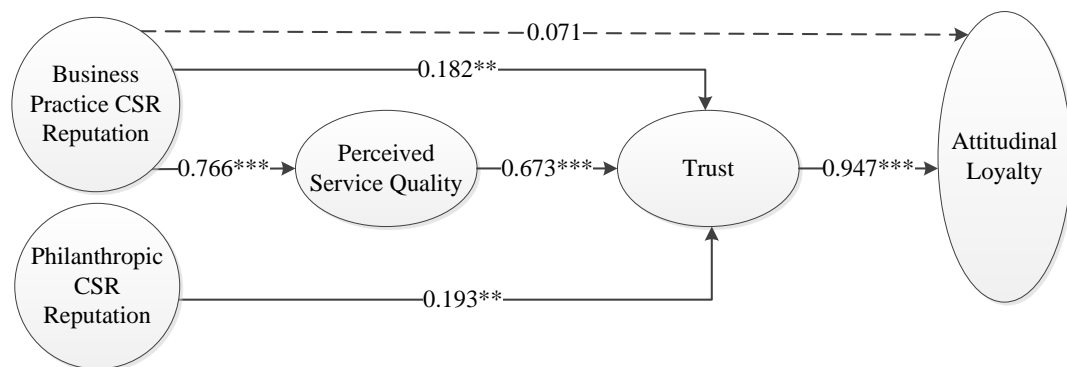
Table 5.6 Pilot study – regression analysis

<i>Paths</i>	β	<i>t-value</i>	R^2
<i>H1</i> Business practice CSR reputation → Attitudinal Loyalty	0.071	0.668	0.865
<i>H2</i> Business practice CSR reputation → Perceived service quality	0.766***	14.058	
<i>H3</i> Perceived service quality → Trust	0.673***	8.036	
<i>H4</i> Business practice CSR reputation → Trust	0.182**	2.718	
<i>H5</i> Philanthropic CSR reputation → Trust	0.193**	2.814	
<i>H6</i> Trust → Attitudinal Loyalty	0.947***	9.048	

Notes: * $p < 0.05$; ** $p < 0.01$, *** $p < 0.001$

The following diagram (Figure 5.1) provides a summary of the above results.

Figure 5.1 Results of the pilot study



Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

————> Significant Path - - - - -> Insignificant Path

5.1.5 Pilot study learning

The pilot study was designed to test the operation of the study, aiming to inform the main study and help highlight areas of improvement. It enabled the author to fine-tune the flow and simplify the instructions to make them more easily understood. Pilot study results showed strong and positive correlations of the five constructs in the proposed framework. They also helped verify the validity of the variables in each constructs.

The regression analysis results indicated a few areas in which the hypotheses were not very well supported. Whilst some empirical research has confirmed that CSR has a positive influence on trust, few have tried to distinguish the importance of different types of CSR (e.g. related to business practice or philanthropy) (Azmat and Ha, 2013; Berg et al., 2012; Choi and La, 2013; Homburg et al., 2013; Park et al., 2013). This is in fact one of the research gaps that the author would like to study using this research. While the pilot study has supported the hypotheses (H4 and H5), the β values were relatively low (0.182 and 0.193 respectively). The other one concerns the impact of CSR on loyalty. In the pilot study, the influence of business practice CSR reputation on attitudinal loyalty was not significant. This could be related to the pilot study's small sample size, and hence the main study would hopefully help to determine if the impact is indeed not strong, which may provide researchers with an alternative view of previous empirical results (Choi and La, 2013).

Regarding the sample size, though it was not too difficult to collect responses from 100 respondents for the pilot study, it was expected that the main study would require much more time and effort, due to its larger sample size and requirements and screening criteria for the stratified samples. The online data collection method was found to be relatively easy to administer and it is time-saving for respondents, making them more willing to answer the survey questions. In addition, based on the comments and suggestions from an academic professional in public relations and communication, the author made adjustments to the questions and the translation to make them more comprehensible. The revised questions, together with the translation, are listed below in Table 5.7.

Table 5.7 Revised questionnaire constructs and variables

Constructs	Indicators	Questions	
Screening question		Which bank are you patronizing, and have been patronizing for at least 1 year: Hong Kong Bank (HSBC) / Standard Chartered Bank (SCB) / Bank of China (BOC)	以下那一所銀行是你正在惠顧，並已經惠顧了一年或以上的： 匯豐銀行 / 渣打銀行 / 中國銀行
Business practice CSR reputation	BP_CSR1	The bank follows high ethical standards in its business operations and behaves ethically with its customers.	銀行根據嚴格的道德規範，營運及服務客戶。
	BP_CSR2	The bank respects customer rights beyond the legal requirements and economic performance.	銀行以客戶利益為首，法例要求及公司經濟表現為次。
	BP_CSR3	The bank provides full and accurate information to all its	銀行為所有客戶提供全面及準確的資訊。

		customers.	
	BP_CSR4	The bank behaves honestly with its customers.	銀行誠實地對待客戶。
Philanthropic CSR	P_CSR1	The bank gives back to the charities and communities in which it does business.	銀行透過慈善活動回饋社會。
	P_CSR2	The bank helps the communities in need (e.g. disadvantaged people, disaster relief, anti-drug, donation to charities, provide education scholarship).	銀行會協助社會有需要人士 (例如：不幸人士，救災，反吸毒，慈善捐贈，提供教育獎學金)。
	P_CSR3	Local non-profits benefit from the bank's contribution.	本地慈善團體受惠於銀行的貢獻。
	P_CSR4	The bank is involved in corporate giving.	銀行有參與企業捐贈。
Perceived service quality	PSQ1	The bank has the ability to perform the promised service dependably and accurately.	銀行能準確可靠地提供承諾的服務。
	PSQ2	The bank is willing to help customers and provide prompt service.	銀行願意為客人提供協助和適時的服務。
	PSQ3	The bank has the knowledge and courtesy of employees and their ability inspires trust and confidence.	銀行員工的知識、能力及誠懇態度，能促使客人對他們建立信心及信任。
	PSQ4	The bank provides caring and individualized attention to its customers.	銀行關懷客戶，並且個別地關注客戶。
Trust	TR1	In general, I trust the bank.	整體來說，我信任這所銀行。
	TR2	The bank is honest and treats me fairly and justly.	銀行公平、公正及誠實地為我服務。
	TR3	I believe the information provided by the bank.	我相信銀行向我提供的資訊。
	TR4	The bank is trustworthy, I can rely on it.	我認為這銀行是可信賴的，我能够依靠它。
Attitudinal Loyalty	LTY1	I am a loyal customer of this bank.	我是這所銀行的忠誠客戶。
	LTY2	I say positive things about this bank.	我對這所銀行，有正面的評價。
	LTY3	I will recommend this bank to other people.	我會向他人推介這所銀行。
	LTY4	I will patronize this bank next time I need this kind of service.	下次需要同類服務時，我仍會選擇這所銀行。
	LTY5	I always try to patronize this bank because it is the best choice for me.	我經常惠顧這所銀行的服務，因為它是我的最佳選擇。
	LTY6	I intend to do more business with the bank in the future.	未來我會使用更多這所銀行所提供的服務。

Informed by the results and subsequent alterations/additions to the questionnaire, the researcher then proceeded to carry out the main study.

5.2 Main study

This chapter reported the data preparation and analysis. Data coding, cleaning and screening were conducted. Preliminary analysis of data was presented to explain abnormalities like missing data, outliers, non-response errors and normality of distribution. Respondent profiles were introduced. Analysis in relation to the measurement model, structural model and the goodness of fit of the theoretical framework were then presented. Hypotheses were tested and presented using a path diagram. And significance of the rating differences by demographics were analysed and presented.

5.2.1 Data preparation and examination

Before performing data analysis, data preparation was required. Data coding, cleaning, editing and screening were conducted in order to ensure completeness, consistency and reliability of the data (Malhotra, 2009). The study data were extracted from qualtrics.com, and manual data input was performed by using Microsoft Excel. The data were first checked manually, to ensure no items were missing. SPSS was then used to run the data and identify if there were any extreme values or missing data.

A total of 409 questionnaires were recorded. Initial data cleaning found that some responses were duplicated, and some were similar in almost all items. This was possibly caused by the fact that the web-link was sent to work associates and other professional networks twice during the data collection period to yield a higher response, and some respondents might have misunderstood that there were two different surveys and hence have completed them twice. Those duplicated data were hence deleted from the record. Also, some responses appeared to not be valid, because the respondents have given almost the same score throughout the questionnaire. This could be caused by the format of the questionnaires in qualtrics.com, which was only able to show the proportion of questionnaire completion by section instead of by the number of questions remaining. Hence, some respondents might have become impatient when qualtrics.com indicated they had only completed one-third of the questions, when they had indeed answered over half of the questions. Hence, such data were purged, and a total of 329 records were used for the analysis, and SPSS 23.0 and AMOS 23.0 were adopted as the analytical tools for the study.

5.2.2 Respondent Profile

Of the 329 valid responses, 193 (59%) were customers of HSBC, and 44 (13%) and 92 (28%) were customers of Standard Chartered Bank and Bank of China respectively. Among these 329 respondents, 124 (38%) were male and 205 (62%) were female. The sample was slightly skewed to young adults with 151 (46%) aged 25-34, followed by the group of respondents aged 45-54 (29%), and those aged 35-54 (25%).

The respondents were mostly at middle to senior management levels, with 176 (53%) working in managers, administrators, professionals and associate professional positions, followed by clerical and service workers (27%) and self-employed (8%). Amongst all respondents, 216 (66%) had a relatively high level of education at degree level or above, followed by those with post-secondary education at diploma/ certificate/ sub-degree levels (21%).

The average monthly income in HK was HK\$14,800 as of mid-2014 (HKSAR Government, 2014i). The respondents have generally higher incomes as compared to the overall HK population, in which 254 (77%) earned HK\$15,000 per month or above. Amongst the 329 respondents, only 75 (23%) earned a monthly income from HK\$0 to HK\$14,999, and 191 (58%) were middle class income earners with monthly income ranging from HK\$15,000-\$39,000. In addition, 63 (19%) were relatively high income earners with a monthly income of HK\$40,000 or above. The majority of respondents were either never married (47%) or currently married (48%).

Demographic data details of the research respondents are listed in Table 5.8 below.

Table 5.8 Main study – sample demographics

Item	Variable	N	Percentage	Cumulative percentage
Bank	Hongkong and Shanghai Banking Corporation (HSBC)	193	58.7	58.7
	Standard Chartered Bank (SCB)	44	13.4	72.0
	Bank of China (BOC)	92	28.0	100.0
	Total	329		
Gender	Male	124	37.7	37.7
	Female	205	62.3	100.0
	Total	329		
Age	25-34	151	45.9	45.9
	35-44	82	24.9	70.8
	45-54	96	29.2	100.0
	Total	329		

Occupation	Managers and Administrators	84	25.5	25.5
	Professionals	74	22.5	48.0
	Associate Professionals	18	5.5	53.5
	Clerical Support Workers	45	13.7	67.2
	Service and Sales Workers	45	13.7	80.9
	Self-employed	22	6.7	87.5
	Homemakers or Housewife	12	3.6	91.2
	Student	0	0.0	91.2
	Retired	5	1.5	92.7
	Craft and Related Workers	7	2.1	94.8
	Plant and Machine Operators and Assemblers	3	0.9	95.7
	Elementary Occupations	1	0.3	96.0
	Skilled Agricultural and Fishery Workers	0	0.0	96.0
	Others (please specify)	13	4.0	100.0
	Total	329		
Income	\$5,999 or below	12	3.6	3.6
	\$6,000 – \$9,999	9	2.7	6.4
	\$10,000 – \$14,999	54	16.4	22.8
	\$15,000 – \$19,999	75	22.8	45.6
	\$20,000 – \$24,999	46	14.0	59.6
	\$25,000 – \$29,999	26	7.9	67.5
	\$30,000 – \$39,999	44	13.4	80.9
	\$40,000 – \$59,999	30	9.1	90.0
	\$60,000 or above	33	10.0	100.0
	Total	329		
Education	Primary school or below	2	0.6	0.6
	Secondary school	43	13.1	13.7
	Diploma/Certificate/Sub-degree	68	20.7	34.3
	Degree or above	216	65.7	100.0
	Total	329		
Marital Status	Never married	156	47.4	47.4
	Now married	157	47.7	95.1
	Separated/Divorced	13	4.0	99.1
	Widowed	3	0.9	100.0
	Total	329		

Sample demographics (Note: N=329)

5.2.3 Descriptive statistics

On a seven-point Likert scale, business practice CSR reputation (BP_CSR) had a composite score of 4.1277, which was the lowest perceived value as compared to the perception in the other four constructs ($\mu=4.4225-4.8746$). This reflected that the banks were not doing too well in terms of their general business practices. Respondents have a more favorable perception of the banks having high ethical standards in its business

operations and behaving ethically with its customers ($\mu=4.60$). However, the banks were poorly perceived in endeavouring to respect customer rights beyond the legal requirements and economic performance, resulting in the lowest score among all the items ($\mu=3.40$). Also, customers did not seem to perceive the banks as behaving honestly with customers ($\mu=4.19$) which was alarming in terms of the bank's perceived integrity.

Philanthropic CSR reputation (P_CSR) had a composite score of 4.4225, indicating that the respondents perceived the banks they patronise as having a good philanthropic CSR reputation. Customers perceived their banks to be giving back to society, as they were involved in corporate giving ($\mu=4.62$), and gave back to the charities and communities in which they do business ($\mu=4.59$). However, the banks' efforts in helping communities in need ($\mu=4.31$), and whether non-profit organisations have benefited from the banks' contributions were relatively more difficult to perceive ($\mu=4.17$).

The composite score for perceived service quality (PSQ) was 4.4954, indicating that respondents perceived the banks they chose as offering high quality services. Most indicators saw similar ratings; and the knowledge, courtesy and ability of bank employees inspiring trust and confidence was the statement most agreed on by customers ($\mu=4.87$). The statement that saw the poorest score was "the bank provides caring and individualised attention to its customers" ($\mu=4.01$).

Trust (TR) has a composite score of 4.8745, suggesting that respondents have relatively high level of trust in the banks they patronised. Results showed that respondents thought they "trusted the bank" ($\mu=4.95$) and that "the bank is trustworthy, I can rely on it" ($\mu=4.98$).

The composite score of attitudinal loyalty (LTY) was 4.5268, which was lower than the score of trust ($\mu=4.875$), indicating the two might not be directly related in customers' minds. Customers believed they were a "loyal customer of this bank" ($\mu=4.78$) and "say positive things about this bank" ($\mu=4.88$), yet did not think they "always try to patronise this bank because it is the best choice for me" ($\mu=4.20$), or that they would "recommend this bank to other people" ($\mu=4.32$).

As the sample size expanded from 100 to over 300 with a more varied sample at different age groups, occupation, education and income-levels, the average score changed from 5.06-5.41 to 4.13-4.87. This has reflected that the age, income,

occupation, and education of the respondents exerted a significant influence on how they approached the questions.

Detailed descriptive statistics are presented in Table 5.9 below.

Table 5.9 Main study – descriptive statistics

Constructs	Indicators	Mean	Standard Deviation	Variance	Composite Mean	Variance
Business practice CSR	BP_CSR1	4.60	1.555	2.417	4.1277	1.3173
	BP_CSR2	3.40	1.607	2.581		
	BP_CSR3	4.33	1.686	2.842		
	BP_CSR4	4.19	1.603	2.568		
Philanthropic CSR	P_CSR1	4.59	1.354	1.834	4.4225	1.1099
	P_CSR2	4.31	1.411	1.990		
	P_CSR3	4.17	1.419	2.014		
	P_CSR4	4.62	1.168	1.365		
Perceived service quality	PSQ1	4.45	1.372	1.882	4.4954	1.2546
	PSQ2	4.65	1.441	2.076		
	PSQ3	4.87	1.353	1.831		
	PSQ4	4.01	1.613	2.601		
Trust	TR1	4.95	1.247	1.555	4.8746	1.1689
	TR2	4.77	1.342	1.802		
	TR3	4.81	1.349	1.820		
	TR4	4.98	1.249	1.560		
Attitudinal Loyalty	LTY1	4.78	1.397	1.952	4.5268	1.1221
	LTY2	4.88	1.238	1.532		
	LTY3	4.32	1.343	1.804		
	LTY4	4.60	1.331	1.771		
	LTY5	4.20	1.439	2.069		
	LTY6	4.38	1.317	1.736		

5.2.4 Distribution normality

Data normality for each construct was assessed. The univariate tests examined each continuous variable individually, to identify deviation from normality using AMOS (Diamantopoulos and Siguaw, 2000). For a normal distribution, the skewness index is zero, and the kurtosis index is three, and it was recommended that the values for kurtosis index should be between -2 and +2, and the skewness should be lower than 3.0 (Harrington, 2009; Mallery and George, 2010). In this study, the kurtosis index and skewness were all within the acceptable range. The detailed distribution normality data are presented in Table 5.10 below.

Table 5.10 Main study – assessment of univariate normality

Constructs / Items	Min	Max	Skew	Critical ratio	Kurtosis	Critical ratio
<u>Business practice CSR</u>						
BP_CSR1	1	7	-0.319	-2.365	-0.741	-2.743
BP_CSR2	1	7	0.424	3.141	-0.570	-2.110
BP_CSR3	1	7	-0.266	-1.972	-0.854	-3.163
BP_CSR4	1	7	-0.064	-0.475	-0.860	-3.184
<u>Philanthropic CSR</u>						
P_CSR1	1	7	-0.430	-3.183	-0.420	-1.556
P_CSR2	1	7	-0.226	-1.677	-0.382	-1.414
P_CSR3	1	7	0.012	0.088	-0.714	-2.643
P_CSR4	1	7	-0.002	-0.015	-0.287	-1.062
<u>Perceived service quality</u>						
PSQ1	1	7	-0.406	-3.005	-0.485	-1.795
PSQ2	1	7	-0.759	-5.618	-0.108	-0.400
PSQ3	1	7	-0.632	-4.683	0.007	0.025
PSQ4	1	7	-0.133	-0.983	-0.870	-3.220
<u>Trust</u>						
TR1	1	7	-1.007	-7.459	0.791	2.929
TR2	1	7	-0.757	-5.608	0.263	0.975
TR3	1	7	-0.746	-5.523	0.174	0.645
TR4	1	7	-0.941	-6.968	1.139	4.219
<u>Loyalty</u>						
LTY1	1	7	-0.600	-4.446	-0.090	-0.333
LTY2	1	7	-0.770	-5.699	0.517	1.914
LTY3	1	7	-0.450	-3.331	0.015	0.055
LTY4	1	7	-0.427	-3.159	-0.050	-0.183
LTY5	1	7	-0.176	-1.300	-0.409	-1.513
LTY6	1	7	-0.141	-1.041	-0.179	-0.662

5.2.5 SEM hypothesis testing

When evaluating the measurement and structural model, one must consider the unidimensionality and model fit. In this study, the Cronbach coefficient alpha was calculated using SPSS, and the composite scale reliability and standardised regression weights were calculated using AMOS to evaluate the unidimensionality and model fit. Multiple criteria were used to assess the model fit, namely root mean square residual (RMR), normed fit index (NFI), Tucker Lewis fit index (TLI), and comparative fit index (CFI) (Byrne, 2009; Hair et al., 2010). The acceptable levels of fit indices are listed in Table 5.11 below.

Table 5.11 Main study – summary of the acceptable level of reliability, regression weights and fit indices

Name	Abbreviation	Type	Acceptable level
Cronbach's alpha	α	Unidimensionality	$\alpha > 0.7$ adequate
Composite scale reliability			Values above 0.6
Standardized regression weight	Beta		Beta > 0.40
Chi-square (with associated degrees of freedom and probability of significant different)	χ^2 (df, p)	Model fit	P > 0.05 (at α equals to 0.05 level)
Normed chi-square	χ^2 / df	Absolute fit and Model parsimony	$1.0 < \chi^2 / df < 3.0$
Root mean square residual	RMR	Absolute fit	RMR < 0.10
Normed fit index	NFI	Incremental fit	Value above 0.8 and close to 0.9 indicate acceptable fit
Tucker Lewis fit index	TLI		
Comparative fit index	CFI		

5.2.6 Measurement model evaluation

The AMOS measurement model for the constructs was evaluated by examining the convergent and discriminant validity of the individual indicator and the composite reliability of a block of indicators. Convergent validity shows the degree to which the items of a construct are related, and it is assessed by examining the correlation between the indicators to ensure a strong relationship between items in the same construct, and the construct scores were computed using AMOS techniques. All of the reflective measures met the recommended level for composite reliability and average variance extracted (AVE). The composite reliabilities of the constructs ranged from 0.844-0.921, which were above the recommended level of 0.7 (Chin, 1998; Fornell and Larcker, 1981). The Cronbach's alpha scored between 0.833-0.922, which was above the recommended level of 0.6 (Hair et al., 2010). The AVE values ranged from 0.579-0.745, which were greater than the recommended level of 0.5 (Hair et al., 2010). Therefore, the conditions for convergent validity were met. Detailed data of the measurement model are presented in Table 5.12 below.

Table 5.12 Main study – the measurement model

Constructs	Indicators	Regression weights	Critical ratio (t-value)	Average Variance Extracted (AVE)	Composite Reliability (CR)	Cronbach's alpha (α)
Business practice CSR	BP_CSR1	0.725	0.60	0.579	0.844	0.833
	BP_CSR2	0.604	0.62			
	BP_CSR3	0.834	0.61			
	BP_CSR4	0.855				
Philanthropic CSR	P_CSR1	0.757	0.125	0.617	0.864	0.846
	P_CSR2	0.810	0.133			
	P_CSR3	0.900	0.163			
	P_CSR4	0.654				
Perceived service quality	PSQ1	0.817	0.55	0.631	0.872	0.889
	PSQ2	0.781	0.58			
	PSQ3	0.753	0.48			
	PSQ4	0.824				
Trust	TR1	0.864	0.46	0.745	0.921	0.922
	TR2	0.896	0.49			
	TR3	0.810	0.52			
	TR4	0.881				
Attitudinal Loyalty	LTY1	0.602	0.80	0.604	0.899	0.912
	LTY2	0.953	0.83			
	LTY3	0.894	0.86			
	LTY4	0.765	0.64			
	LTY5	0.657	0.67			
	LTY6	0.735				

To assess the discriminant validity, the square root of the AVE should be larger than the correlations between the construct and any other construct in the model (Chin, 1998). In Table 5.13 below, the diagonal entries (in bold) represent the square root of the AVE for each construct, while the others refer to the corresponding correlation coefficients among the constructs. Most constructs have met the minimum requirements for discriminant validity, except for perceived service quality (0.794) which was slightly lower than one of the correlation coefficient (0.801), and attitudinal loyalty (0.777) which was lower than one of the correlation coefficient (0.818). Most constructs in the model have displayed adequate discriminant validity. Detailed data of the measurement model are presented in Table 5.13 below.

Table 5.13 Main study – correlation matrix and discriminant validity

<i>Pearson Correlation</i>	Business practice CSR reputation	Philanthropic CSR reputation	Perceived service quality	Trust	Attitudinal Loyalty
Business practice CSR reputation	0.761				
Philanthropic CSR reputation	.546**	0.785			
Perceived service quality	.736**	.544**	0.794		
Trust	.740**	.469**	.801**	0.863	
Attitudinal Loyalty	.577**	.422**	.642**	.818**	0.777

Note:

- 1.**Correlation is significant at the 0.01 level (2-tailed).
2. Diagonal entries (in bold) represent the square root of the AVE values.
3. All the other entries represent the correlation coefficients.

5.2.7 Structural model and hypotheses testing

The structural model was evaluated by examining the structural paths, t-statistics, and variance explained (the R-squared value). Path significances were determined by running the model using the AMOS statistical package and the path coefficients for the research model as presented in Table 5.14. The six hypotheses presented in this study were tested using AMOS techniques. The path significance of each hypothesised association in the research model and the variance explained (R^2) by each path were examined. In this study, a two-tailed t-test was used because independent variables may either show a positive or a negative effect on the dependent variables (Helm, Eggert, and Garnefeld, 2010).

Table 5.14 below shows the correlations between all of the constructs. Positive and significant relationships were found between business practice CSR reputation and perceived service quality (p-value < 0.001; $\beta = 0.721$; $t = 12.278$), and between business practice CSR reputation and trust (p-value < 0.001; $\beta = 0.258$; $t = 4.039$), therefore supporting H2 and H4 respectively. Positive and significant effects were found for perceived service quality on trust (p-value < 0.001; $\beta = 0.457$; $t = 6.843$), and also for trust on attitudinal loyalty (p-value < 0.001; $\beta = 0.746$; $t = 10.163$), hence supporting H3 and H6 respectively. Trust was predicted by perceived service quality, which explained 57% ($R^2 = 0.570$) of the variance in trust, indicating a moderate R-squared value. Therefore, H3 was supported. Attitudinal loyalty was predicted by trust, which explained 68.8% ($R^2 = 0.688$) of the variance in attitudinal loyalty, indicating a

moderate R-squared value. Therefore, H6 was supported. However, the relationship between business practice CSR reputation and attitudinal loyalty ($\beta = -0.038$, $t = -0.845$) and the relationship between philanthropic CSR reputation and trust ($\beta = 0.036$, $t = 0.476$) were found significant at $p\text{-value} > 0.05$, which did not support H1 and H5. Detailed data of the regression analysis are presented in Table 5.14 below.

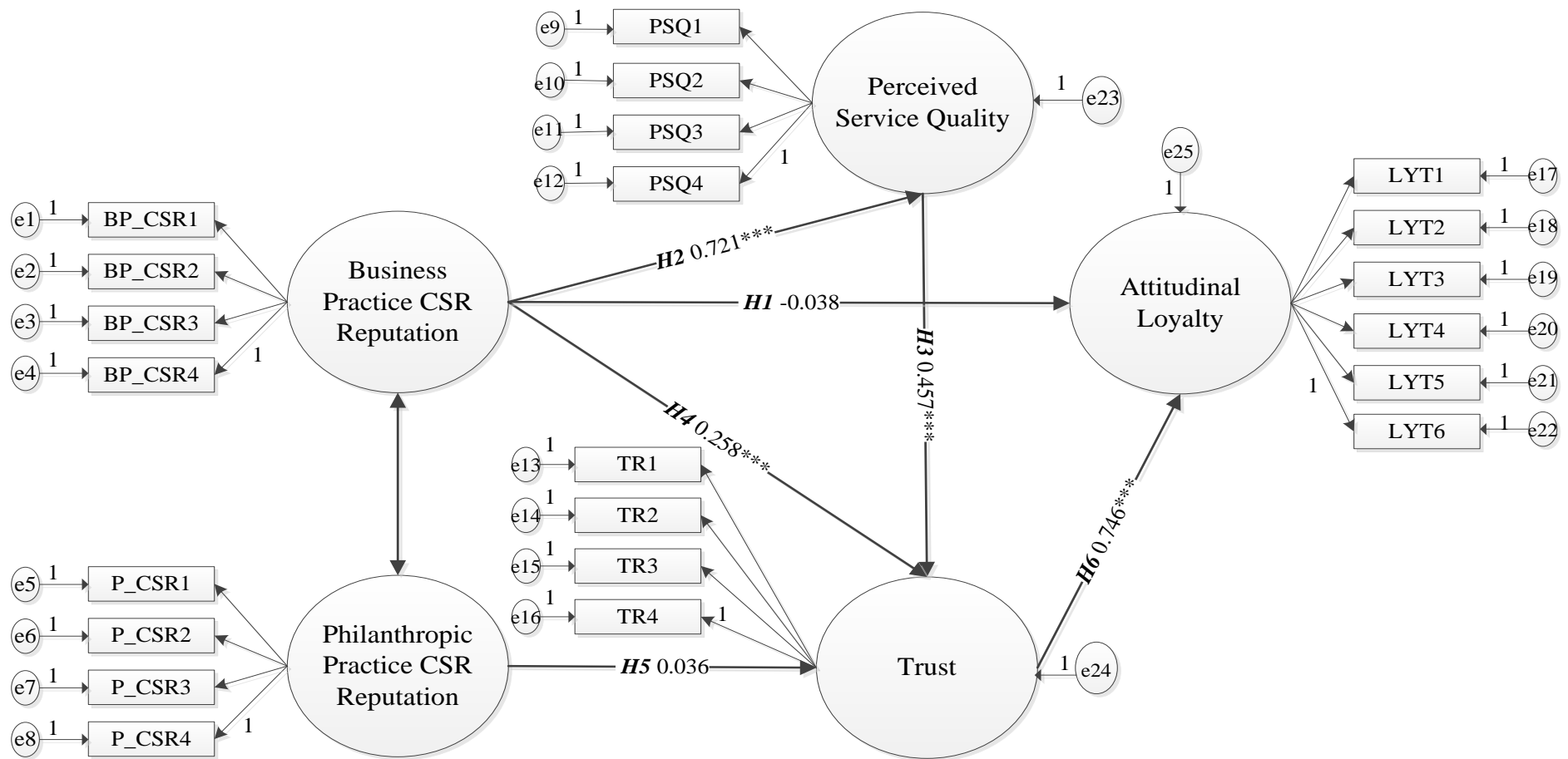
Table 5.14 Main study – regression analysis

<i>Paths</i>	β	<i>t-value</i>	R^2	<i>Hypothesis Supported</i>
<i>H1</i> Business practice CSR reputation → Attitudinal Loyalty	-0.038	-0.845		No
<i>H2</i> Business practice CSR reputation → Perceived service quality	0.721***	12.278		Yes
<i>H3</i> Perceived service quality → Trust	0.457***	6.843	0.570	Yes
<i>H4</i> Business practice CSR reputation → Trust	0.258***	4.039		Yes
<i>H5</i> Philanthropic CSR reputation → Trust	0.036	0.476		No
<i>H6</i> Trust → Attitudinal Loyalty	0.746***	10.163	0.688	Yes

Notes: * $p < 0.05$; ** $p < 0.01$, *** $p < 0.001$

The following diagram (Figure 5.2) is a summary of the above results for the main study.

Figure 5.2 Main study – AMOS output of the main structural model with significant paths



The structural model in Figure 5.2 above shows the constructs of the research model and their correlation as computed by AMOS. In the model, business practice CSR reputation and philanthropic CSR reputation were exogenous construct as their causes were unknown and hence not represented in the model, and they were specified as causes for other variables. To establish the model fit, fit indexes were computed by using AMOS and the fit measures are presented in Table 5.15. The fit indexes in Table 5.15 indicate the model fit well with the survey data. All overall goodness-of-fit statistics were within an acceptable fit level: the CMIN (χ^2) for the model was 394.004 with 365 degrees; CMIN/DF (2.134) was under 3.0. And the RMR (0.100) was less than or equal to 0.10, suggesting that the model was an appropriate one. In addition, the TLI (0.950), CFI (0.959) and NFI (0.927) were greater than 0.80, indicating that the model fit was at an acceptable level. Also, the RMSEA (0.059) was less than 0.08, suggesting that the model was a close fit and the hypotheses were a good fit. All in all, the fit indexes of the structural model indicated that the research model and hypotheses could be regarded as adequate. Detailed data of the fitness measure are presented in Table 5.15 below.

Table 5.15 Main study – fitness measures for the structural model

Fit measure	Index for measurement model	Index for structural model	Acceptability
Chi-square (χ^2)	384.989	394.004	Acceptable
Degree of freedom (df)	184	187	Acceptable
Normed Chi-Square (CMIN/DF)	2.092	2.134	Acceptable
Root Mean Square Residual (RMR)	0.083	0.100	Acceptable
The Root Mean Square Error of Approximation (RMSEA)	0.058	0.059	Acceptable
Goodness-of-Fit Index (GFI)	0.902	0.900	Acceptable
Normed Fit Index (NFI)	0.929	0.927	Acceptable
Tucker-Lewis Index (TLI)	0.952	0.950	Acceptable
Comparative Fit Index (CFI)	0.962	0.959	Acceptable

5.2.8 Bank and demographic factors

An analysis of the demographics of the respondents in the main study is presented in the Appendices section (Appendices 3-15). The data revealed differences in the scores given by customers from different banks. It is therefore worth looking into the significance of such discrepancies, and the possible contributing factors that might present insight for future research opportunities.

First, for the ratings on different banks, one-way ANOVA showed significant differences in ratings between HSBC ($n = 193$, $M = 3.931$, $SD = 1.333$), SCB ($n = 44$, $M = 3.938$, $SD = 1.318$) and BOC ($n = 92$, $M = 4.630$, $SD = 1.154$) for business practice CSR reputation at the $p < .05$ level [$F(2, 326) = 9.802$, $p = 0.000$]. Also, there were significant differences in ratings between HSBC ($n = 193$, $M = 4.685$, $SD = 1.227$), SCB ($n = 44$, $M = 4.767$, $SD = 1.157$) and BOC ($n = 92$, $M = 5.323$, $SD = 0.911$) for trust at the $p < .05$ level [$F(2, 326) = 10.022$, $p = 0.000$]. The figures are summarised in Table 5.16 below, and displayed in detail in Appendices 3, 4, 7 and 9.

Table 5.16 Main study – ANOVA by bank

Parameter	Bank	N	Mean	SD	df	F	Sig
Business practice CSR reputation	HSBC	193	3.931	1.333	326	9.802	.000
	SCB	44	3.938	1.318			
	BOC	92	4.630	1.154			
Trust	HSBC	193	4.685	1.227	326	10.022	.000
	SCB	44	4.767	1.157			
	BOC	92	5.323	0.911			

For ratings by gender, one-way ANOVA shows significant differences in ratings between males ($n = 124$, $M = 4.365$, $SD = 1.408$) and females ($n = 205$, $M = 3.984$, $SD = 1.241$) for business practice CSR reputation at the $p < .05$ level [$F(1, 327) = 6.566$, $p = 0.011$]. Also, there are significant differences in ratings between males ($n = 124$, $M = 4.597$, $SD = 1.146$) and females ($n = 205$, $M = 4.317$, $SD = 1.076$) for philanthropic CSR reputation at the $p < .05$ level [$F(1, 327) = 4.967$, $p = 0.027$]. The figures are summarised below in Table 5.17 and displayed in detail in Appendices 3, 4, 5, and 10.

Table 5.17 Main study – ANOVA by gender

Parameter	Gender	N	Mean	SD	df	F	Sig
Business practice CSR reputation	Male	124	4.365	1.408	327	6.566	.011
	Female	205	3.984	1.241			
Philanthropic CSR reputation	Male	124	4.597	1.146	327	4.967	.027
	Female	205	4.317	1.076			

With regard to ratings by age, one-way ANOVA shows significant differences in ratings between respondents aged 25-29 ($n = 93$, $M = 4.341$, $SD = 1.120$) and 40-44 ($n = 47$, $M = 3.660$, $SD = 1.466$) for business practice CSR reputation at the $p < .05$ level [$F(5, 323) = 2.460$, $p = 0.033$]. Also, there are significant differences in ratings between respondents aged 30-34 ($n = 58$, $M = 4.168$, $SD = 0.996$), 35-39 ($n = 35$, $M = 4.950$, SD

= 1.108), 40-44 (n = 47, M = 4.011, SD = 1.343) and 45-49 (n = 49, M = 4.770, SD = 1.091) for philanthropic CSR reputation at the $p < .05$ level [$F(5, 323) = 4.814$, $p = 0.000$]. For perceived service quality, there are significant differences in ratings between respondents aged 30-34 (n = 58, M = 4.168, SD = 1.238) and 45-49 (n = 49, M = 4.878, SD = 1.125) at the $p < .05$ level [$F(5, 323) = 3.257$, $p = 0.007$]. For trust, there are significant differences in ratings between respondents aged 25-29 (n = 93, M = 5.121, SD = 0.830) and 30-34 (n = 58, M = 4.556, SD = 1.089) at the $p < .05$ level [$F(5, 323) = 3.019$, $p = 0.011$]. The figures are summarised below in Table 5.18 and displayed in detail in Appendices 3, 4, 5, 6, 7 and 11.

Table 5.18 Main study – ANOVA by age

Parameter	Age	N	Mean	SD	df	F	Sig
Business practice CSR reputation	25-29	93	4.314	1.120	323	2.460	.033
	40-44	47	3.660	1.466			
Philanthropic CSR reputation	30-34	58	4.168	0.996	323	4.814	.000
	35-39	35	4.950	1.108			
	40-44	47	4.011	1.343			
	45-49	49	4.770	1.091			
Perceived service quality	30-34	58	4.168	1.238	323	3.257	.007
	45-49	49	4.878	1.125			
Trust	25-29	93	5.121	0.830	323	3.019	.011
	30-34	58	4.556	1.089			

For ratings by job category, one-way ANOVA shows significant differences in ratings between managers and administrators (n = 84, M = 3.771, SD = 1.180), professionals (n = 74, M = 4.145, SD = 1.462), self-employed (n = 22, M = 3.943, SD = 1.420), homemakers and housewives (n = 12, M = 3.583, SD = 1.412), and craft and related workers (n = 7, M = 5.821, SD = 0.787) for business practice CSR reputation at the $p < .05$ level [$F(10, 317) = 2.637$, $p = 0.004$]. For trust, one-way ANOVA shows significant differences in ratings between managers and administrators (n = 84, M = 4.560, SD = 1.258) and clerical and related workers (n = 45, M = 5.217, SD = 0.913) at the $p < .05$ level [$F(10, 317) = 2.008$, $p = 0.032$]. The figures are summarised below in Table 5.19 and displayed in detail in Appendices 3, 4, 7, and 12.

Table 5.19 Main study – ANOVA by job category

Parameter	Job category	N	Mean	SD	df	F	Sig
Business practice CSR reputation	Managers and administrators	84	3.771	1.180	317	2.637	.004
	Professionals	74	4.145	1.462			
	Self-employed	22	3.943	1.420			
	Homemakers and housewives	12	3.583	1.412			
	Craft and related workers	7	5.821	0.787			
Trust	Managers and administrators	84	4.560	1.258	317	2.008	.032
	Clerical and support workers	45	5.217	0.913			

For ratings by income, one-way ANOVA shows significant differences in ratings between respondents with income of HK\$15,000-\$19,999 ($n = 75$, $M = 4.447$, $SD = 1.105$), HK\$25,000-\$29,999 ($n = 26$, $M = 4.789$, $SD = 1.301$), HK\$30,000-\$39,999 ($n = 44$, $M = 3.602$, $SD = 1.488$), and HK\$40,000-\$59,999 ($n = 30$, $M = 3.708$, $SD = 1.420$) for business practice CSR reputation at the $p < .05$ level [$F(8, 320) = 3.011$, $p = 0.003$]. Also, there are marginally significant differences in ratings between respondents with incomes of HK\$25,000-\$29,999 ($n = 26$, $M = 4.837$, $SD = 1.127$) and HK\$30,000-\$39,999 ($n = 44$, $M = 3.915$, $SD = 1.511$) for philanthropic CSR reputation at the $p < .05$ level [$F(8, 320) = 1.943$, $p = 0.053$]. For perceived service quality, there are significant differences in ratings between respondents with incomes of HK\$25,000-\$29,999 ($n = 26$, $M = 5.029$, $SD = 0.904$) and HK\$30,000-\$39,999 ($n = 44$, $M = 3.949$, $SD = 1.553$) at the $p < .05$ level [$F(8, 320) = 2.205$, $p = 0.027$]. For trust, there are significant differences in ratings between respondents with incomes of HK\$10,000-\$14,999 ($n = 54$, $M = 5.074$, $SD = 1.031$), HK\$15,000-\$19,999 ($n = 75$, $M = 5.150$, $SD = 0.913$), HK\$20,000-\$24,999 ($n = 46$, $M = 5.071$, $SD = 0.964$), HK\$25,000-\$29,999 ($n = 26$, $M = 5.317$, $SD = 1.045$), and HK\$30,000-\$39,999 ($n = 44$, $M = 4.290$, $SD = 1.401$) at the $p < .05$ level [$F(8, 320) = 3.757$, $p = 0.000$]. Lastly, for loyalty, there are significant differences in ratings between respondents with incomes of HK\$6,000-\$9,999 ($n = 9$, $M = 3.444$, $SD = 1.441$) and HK\$25,000-\$29,999 ($n = 26$, $M = 4.865$, $SD = 1.111$) at the $p < .05$ level [$F(8, 320) = 2.725$, $p = 0.006$].

A closer look at the demographics of these 44 respondents and the scores they have given for the five constructs indicated they are mainly HSBC customers (34/44,

77%), managers and administrators (27/44, 61%), female (28/44, 63%) and married (33/44, 75%). The figures are summarised below in Table 5.20 and displayed in detail in Appendices 3, 4, 5, 6, 7, 8 and 13.

Table 5.20 Main study – ANOVA by income

Parameter	Income (HK\$)	N	Mean	SD	df	F	Sig
Business practice CSR reputation	15,000-19,999	75	4.447	1.105	320	3.011	.003
	25,000-29,999	26	4.789	1.301			
	30,000-39,999	44	3.602	1.488			
	40,000-59,999	30	3.708	1.420			
Philanthropic CSR reputation	25,000-29,999	26	4.837	1.127	320	1.943	.053
	30,000-39,999	44	3.915	1.511			
Perceived service quality	25,000-29,999	26	5.029	0.904	320	2.205	.027
	30,000-39,999	44	3.949	1.553			
Trust	10,000-14,999	54	5.074	1.031	320	3.757	.000
	15,000-19,999	75	5.150	0.913			
	20,000-24,999	46	5.071	0.964			
	25,000-29,999	26	5.317	1.045			
	30,000-39,999	44	4.290	1.401			
Loyalty	6,000-9,999	9	3.444	1.441	320	2.725	.006
	25,000-29,999	26	4.865	1.111			

For ratings by education, one-way ANOVA did not indicate any significant differences in ratings between respondents with different education levels. The figures are displayed in Appendices 3 and 14.

For ratings according to marital status, one-way ANOVA showed significant differences in ratings between respondents who were never married ($n = 156$, $M = 4.154$, $SD = 1.233$), married now ($n = 157$, $M = 4.119$, $SD = 1.407$), separated/divorced ($n = 13$, $M = 4.404$, $SD = 0.881$), and widowed ($n = 3$, $M = 2.000$, $SD = 0.433$) for business practice CSR reputation at the $p < .05$ level [$F(3, 325) = 2.870$, $p = 0.037$]. Also, there were significant differences in ratings between respondents who have never been married ($n = 156$, $M = 4.928$, $SD = 0.952$), Married Now ($n = 157$, $M = 4.825$, $SD = 1.361$), separated/divorced ($n = 13$, $M = 5.269$, $SD = 0.641$), and widowed ($n = 3$, $M = 3.000$, $SD = 0.433$) for trust at the $p < .05$ level [$F(3, 325) = 3.339$, $p = 0.020$]. The figures are summarised below in Table 5.21 and displayed in detail in Appendices 3, 7, and 15.

Table 5.21 Main study – ANOVA by marital status

Parameter	Marital status	N	Mean	SD	df	F	Sig
Business practice CSR reputation	Never married	156	4.154	1.233	325	2.870	.037
	Married now	157	4.119	1.407			
	Separated/ divorced	13	4.404	0.881			
	Widowed	3	2.000	0.433			
Trust	Never married	156	4.928	0.952	325	3.339	.020
	Married now	157	4.825	1.361			
	Separated/ divorced	13	5.269	0.641			
	Widowed	3	3.000	0.433			

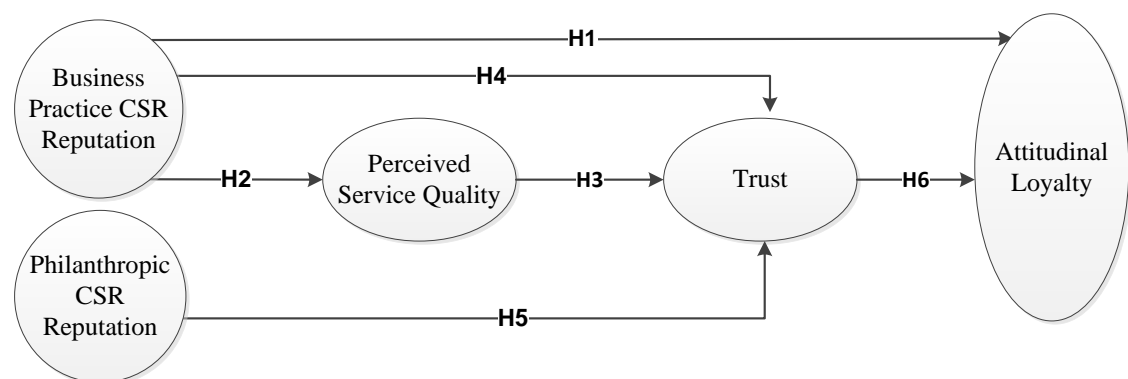
This chapter summarized the research results, analysed the descriptive data, demographic data and model fit. The data analysed in this chapter are discussed in the next chapter to draw implications on the model contribution and management strategies and decisions.

CHAPTER 6 DISCUSSION

This chapter discusses the study research results and sheds light on the research aim and objectives. The author intended to find out whether CSR contributes positively to customer attitudinal loyalty, and hence financial and reputational performance of the HK banking industry. Primary research was designed to operationalise the study aim by investigating the relationship between business practice CSR reputation, perceived service quality and trust. Also, relationships between philanthropic CSR reputation and trust, and trust and attitudinal loyalty were under study. The research aimed to find out the correlations of these constructs in the models designed for the study, and make recommendations to banks and companies with regard to resource investments in CSR activity, in order to achieve better loyalty, reputation and financial performances.

Based on these research questions, aims and objectives, a research framework was established and is shown in Figure 6.1 below:

Figure 6.1 Proposed research framework



Six hypotheses were developed as follows:

- H1: There is a positive relationship between business practice CSR reputation and attitudinal loyalty.
- H2: There is a positive relationship between business practice CSR reputation and perceived service quality.
- H3: There is a positive relationship between perceived service quality and trust.
- H4: There is a positive relationship between business practice CSR reputation and trust.
- H5: There is a positive relationship between philanthropic CSR reputation and trust.
- H6: There is a positive relationship between trust and attitudinal loyalty.

After conducting a pilot study for the SEM model with 100 respondents, the feedback was used to fine-tune the questionnaire and wordings used. The proposed research framework was then put to a survey study for three note-issuing multinational banks in Hong Kong, namely HSBC, BOC and SCB, and with demographics of respondents simulating the mix of the HK population. A total of 409 responses were received and after data cleaning and screening, 329 valid questionnaires were analysed using AMOS and SPSS.

6.1 Hypotheses with significant relationships

This study has established six hypotheses as listed above. Research data from the main study showed that hypotheses two, three, four and six were supported, while hypotheses one and five were not supported. Table 6.1 below summarises the path designed for the model and the research results.

Table 6.1 Research hypotheses and results

<u>Paths</u>	<u>Hypothesis Supported</u>
H1: Business practice CSR reputation → Attitudinal Loyalty	No
H2: Business practice CSR reputation → Perceived service quality	Yes
H3: Perceived service quality → Trust	Yes
H4: Business practice CSR reputation → Trust	Yes
H5: Philanthropic CSR reputation → Trust	No
H6: Trust → Attitudinal Loyalty	Yes

6.1.1 Relationship between business practice CSR reputation, perceived service quality and trust

In this study, business practice CSR reputation was shown to have a positive relationship with perceived service quality and trust, which is consistent with many different empirical research studies (Ailawadi, Neslin, Luan, and Taylor, 2014; Azmat and Ha, 2013; Berg et al., 2012; Choi and La, 2013; Homburg et al., 2013; Khan, Ferguson, and Perez, 2015; Mandhachitara and Poolthong, 2011). However, the relationship was the weakest (0.258) in terms of all the hypotheses with a significant relationship (see Table 6.1). So, the building of trust was not conclusive, as the relationship between business practice CSR reputation and trust was relatively weak, and the relationship between philanthropic CSR reputation and trust was even weaker and non-significant.

The literature has suggested that when organisations engage in ethical business practices targeted at primary stakeholders like customers, they will gain business practice CSR reputation, which serves as an indication of a company's trustworthiness (Homburg et al., 2013). Many researchers have agreed that CSR contributes to trust (Brown and Dacin, 1997; Fatma et al., 2015; Lombart and Louis, 2014; Sen and Bhattacharya, 2001). Some even believed that CSR can create a perception of credibility and integrity (Swaen and Chumpitaz, 2008), while others said that CSR is useful in building trust, especially in certain product categories (e.g. fair trade products, organic products, etc) (Castaldo, Perrini, Misani, and Tencati, 2009; Pivato, Misani, and Tencati, 2008). This demands further research to explore whether the difference is related to culture or the type or nature of the products or services under study. It is worth exploring whether Chinese or Hongkongers are more sceptical, or whether the banks have lost customers' trust after the worldwide financial tsunami, or whether there may be a combination of these and other factors (The Financial Times Ltd., 2015).

6.1.2 Relationships between perceived service quality, trust and attitudinal loyalty

Perceived service quality was shown to have influenced trust, which then contributed to attitudinal loyalty, and these relationships were well researched, and the results of this study were consistent with findings from other studies (Aurier and Lanauze, 2012; Berg et al., 2012; Homburg et al., 2013; Khan et al., 2015; Songsom and Trichun, 2013; Vlachos, Krepapa, Panagopoulos, and Tsamakos, 2013). The research findings reinforced results from other researchers in various contexts and countries, indicating strong relationships between the constructs, regardless of culture or product nature. Trust is sometimes regarded as having an inconclusive relationship with quality, satisfaction and loyalty (Butt and Aftab, 2013; Seto-Pamies, 2012; Vlachos et al., 2013). As consumers, it is not hard to find ourselves being sceptical about certain companies, yet continue to patronise them on a regular basis due to many contextual factors such as nonexistence of better alternatives, inertia, and high switching cost, etc.

The positive influence of trust on customer loyalty was well-established in empirical research (Aurier and Lanauze, 2012; Berg et al., 2012; Chaudhuri and Holbrook, 2001; Doney and Cannon, 1997; Salmones et al., 2009b). The research results of this study were consistent with previous studies in various industries and cultures, indicating that the relational strength was relatively strong. In this study, the

positive relationship between trust and loyalty was stronger, compared to the relationship between perceived service quality and trust. This concurred with previous studies, which have seen varying results on antecedents of trust, while the contribution of trust to attitudinal loyalty was seen to be strong (Aurier and Lanauze, 2012; Berg et al., 2012; Homburg et al., 2013).

6.2 Hypotheses with non-significant relationships

6.2.1 Business practice CSR reputation did not contribute to attitudinal loyalty

Research data from the main study showed that hypotheses one and five were not supported. The insignificant relationship of business practice CSR reputation and attitudinal loyalty (Hypothesis 1) was consistent with that of the pilot study, so a larger sample size and respondents with more varied demographics did not yield different results. This has indicated a clear lack of a significant relationship between these two constructs in the proposed research model. Business practice CSR reputation was shown to contribute to attitudinal loyalty through the mediating effect of perceived service quality and trust, instead of having a direct relationship with loyalty. This seemed to have contradicted results from previous research (Ailawadi et al., 2014; Choi and La, 2013; Chung, Yu, Choi, and Shin, 2015; Mandhachitara and Poolthong, 2011).

One possible explanation is that it may be difficult for CSR alone to contribute directly to customer loyalty for products like banking services which are high involvement products with recurring fee payments. Customers tend to have higher incentives to switch to another company for better deals, which will mean a long-term and significant revenue gain or cost saving. Another explanation could be related to customers' scepticism of banking practices especially after the worldwide financial tsunami in 2008-2009, so that even when banks presented themselves as honest and ethical in their business practices, customers might still not want to remain loyal, due to loss of trust (Telegraph Media Group Limited, 2011; The Financial Times Ltd., 2015; The Guardian, 2008).

6.2.2 Philanthropic CSR reputation did not contribute to trust

The literature has suggested that organisations that engage in interaction with secondary stakeholders (e.g. community and non-profit organisations) through practices

like philanthropic CSR will gain a philanthropic CSR reputation (Homburg et al., 2013). The relationship between philanthropic CSR reputation and trust was established by previous researchers and also by the pilot study, but was rejected by the main study of this research (Homburg et al., 2013; Lee, Kim, Lee, and Li, 2012; Mukasa, Kim, and Lim, 2015; Nakamura, 2015; Park et al., 2013).

An insignificant relationship between philanthropy and trust was supported by other research, and could be related to consumers' scepticism of philanthropy by corporations (BBC News, 2012; Bloomberg Business, 2015a; OECD Observer, 2009; Wu and Chen, 2015). More recent research has also shown that philanthropy may not lead to better company performance (Schramm-Klein, Morschett, and Swoboda, 2015). In addition, the pilot study was done with a group of slightly younger respondents, who in general have a more positive view of CSR, hence the differences in results shown from the younger respondents in the pilot study and the relatively more neutral views from the main study, with more varied demographics (Moisescu, 2015). This also echoed research results suggesting that CSR orientation of consumers was impactful on companies' CSR engagement (Schramm-Klein et al., 2015).

6.3 Bank and demographic factors

Based on the results of the one-way ANOVA and post hoc Tukey HSD tests, significant differences in various constructs were found, and insights are discussed below.

6.3.1 Bank

The overall scores from customers of the Bank of China were found to be higher than the scores of the other two banks. It was believed to be related to the clientele of BOC, composed mainly of students, homemakers and people engaged in PRC-related businesses. Research has found that younger consumers have a more positive perception of CSR and tend to trust and become loyal to companies with a good CSR reputation (Moisescu, 2015). Another group of BOC customers are people who work in PRC-based corporations and or who have business connections with mainland China. Research has shown that mainland and Hong Kong Chinese, as compared to Americans, have more positive views towards CSR (Ramasamy and Yeung, 2009).

6.3.2 Gender

The result is consistent with research findings that females, especially working females, tend to be more concerned and have higher empathy towards CSR issues, and hence might have higher expectations and demands in CSR practices (Boulouta, 2013).

6.3.3 Age

The significant differences in rating between respondents aged 30-34, 40-44 and 45-49 for philanthropic CSR reputation supported research results that suggested young and middle-aged people have more positive attitudes towards corporations' CSR activities (Moisescu, 2015; Tian, Wang, and Yang, 2011). For perceived service quality, there were significant differences in ratings between respondents aged 30-34 and 45-49, with the latter giving higher scores. Census data showed that people aged 30-34 and 45-49 are earning similar wages in HK (HKSAR Government, 2014i). However, as the respondents in this study are generally more educated than the average HK population, it was found that the average monthly income of those ages 45-49 are in the range of HK\$25,000-\$29,999, while average monthly income of those ages 30-34 are in the range of HK\$20,000-\$24,999. This indicated that those aged 45-49 might have enjoyed better banking services and hence had better perception of service quality. For trust, there were significant differences in ratings between respondents aged 25-29 and 30-34, with the younger group of respondents giving higher scores. Research has indicated that people with less power tend to be more trusting, and it might explain the results of trust (Futurity, 2015; Schilke, Reimann, and Cook, 2015).

6.3.4 Job Category

There were significant differences in ratings between managers and administrators, professionals, self-employed, and homemakers and housewives, and craft and related workers for business practice CSR reputation. Craft and related workers have given significantly higher scores, with very similar ratings given by the small number of respondents in this group. Professionals have given the second highest score, followed by self-employed, managers and administrators, and then homemakers and housewives. The variations could be explained by differences in education levels and levels of service patronage and expectations. While homemakers might not use a great variety of banking services, they could be more susceptible to mistreatment, as

they might have spent more time at the bank interacting with different banking personnel.

6.3.5 *Income*

There were significant differences in ratings between respondents with income levels at HK\$15,000-\$19,999, HK\$25,000-\$29,999, HK\$30,000-\$39,999, and HK\$40,000-\$59,999 for business practice CSR reputation. Those customers with higher income (HK\$30,000-\$59,999) gave a significantly lower score than those with middle (HK\$25,000-\$29,999) to lower income (HK\$15,000-\$19,999) categories. This could be explained by the possibility of higher expectation and requirements of wealthier customers. Also, there were marginally significant differences in ratings between respondents with income at HK\$25,000-\$29,999 and HK\$30,000-\$39,999 for philanthropic CSR reputation. For perceived service quality, there were significant differences in ratings between respondents with income at HK\$25,000-\$29,999 and HK\$30,000-\$39,999. For trust, there were significant differences in ratings between respondents with income at HK\$10,000-\$14,999, HK\$15,000-\$19,999, HK\$20,000-\$24,999, HK\$25,000-\$29,999, and HK\$30,000-\$39,999.

Moreover, respondents with higher income levels have consistently given lower scores for various constructs. For business practice CSR reputation, respondents with income from HK\$30,000-\$59,999 gave the lowest score, while for philanthropic CSR reputation, perceived service quality and trust, the group of respondents earning HK\$30,000-\$39,999 gave the lowest scores. This suggested that wealthier customers tend to have higher levels of engagement and higher demands and expectations for banking services. Another observation is that the lower income group was mostly using basic banking services and received minimal attention from the banks, while the middle class struggled to make ends meet due to exorbitant property prices and high living standards, a situation in which money has become the major source of stress for many people in HK, making people more demanding of service providers (RTHK, 2015; South China Morning Post, 2015).

For loyalty, there were significant differences in ratings between respondents with income at HK\$6,000-\$9,999 and HK\$25,000-\$29,999. This result contradicted the other results, with respondents at higher income levels showing higher loyalty to the banks. However, research indicated that more affluent customers tend to be more loyal

as they received better retention and loyalty offers from corporations, including fee waivers, designated counter services and ease of use, which might explain the results of this study (Bain & Company, 2013; Database Marketing Institute, 2010). In addition, respondents earning HK\$25,000-\$29,999 were those who have consistently given the highest scores for all of the constructs. Respondents providing the higher scores are mainly highly educated female customers of HSBC, while respondents earning HK\$30,000-\$39,999 were consistently giving the lowest scores among all groups.

The results indicated that HSBC's customers tend to have stronger views towards HSBC, while the customers of the other two banks tend to be more moderate. It also showed that educated and married females tend to be less contented with services provided by banks, and tend not to trust or be loyal to an organisation, which has affirmed research that found married people to have less positive feelings about brands and are less loyal to companies (John and Senith, 2013).

6.3.6 Education

No significant differences in ratings among respondents with different education levels were found in the analysis, indicating that education did not affect people's perceptions of CSR, quality, and the building of trust and loyalty towards organisations.

6.3.7 Marital status

There were significant differences in ratings among respondents who have never been married, are currently married, separated/divorced, and widowed, for business practice CSR reputation and also for trust. Widowed respondents gave a very low score for business practice CSR reputation, followed by separated/divorced respondents. Respondents who were never married or who are married now gave very similar scores. The separated/divorced respondents seemed to have a better perception of the bank's business practice CSR reputation and trust level, which supported a study showing that unmarried and divorced people have higher levels of trust compared to married ones (Lindstrom, 2012). Although widowed respondents have given significantly low scores, the small sample size could mean that the differences were an individual one.

In this chapter, data analysed from the main study were discussed with reference to the hypotheses set out in the proposed research framework, explaining hypotheses

that were supported and those that did not have significant relationships. Demographic factors were also investigated for their influences on the research results. In the next chapter, the research contribution to theory and practice, recommendation, research limitations and opportunities are discussed.

CHAPTER 7 CONCLUSION AND RECOMMENDATION

This chapter summarises and concludes the dissertation and the research study. It describes the contribution of this research to the body of knowledge and also to managerial practices based on the research framework and survey results. Then, the recommendations for the model and the banks in the study are provided, and research limitations and future research opportunities are discussed.

7.1 Conclusion

The research set out to investigate the importance of building up a CSR reputation, and how different CSR initiatives can contribute to the development of sustainable competitive advantage, loyalty and profitability of corporations in established and highly competitive markets. The survey concluded that business practice CSR reputation can make a significant contribution to customer attitudinal loyalty through the mediating factors of perceived service quality and trust. Together with the confirmation of a relationship between perceived service quality, trust and attitudinal loyalty, the research has confirmed the positive contribution of business practice CSR reputation towards profitability, which is developed by establishing attitudinal loyalty through building better perceived service quality and trust. On the other hand, philanthropic CSR reputation was only able to build up trust in the minds of young people, but not in the minds of respondents with more varied demographics.

7.2 Contribution to theory

7.2.1 Adapting the model to business-to-consumer context

The theoretical research framework was refined from the model developed by Homburg for a study of CSR's contribution to loyalty in a business-to-business (B2B) context, and it was modified with reference to other literature and also the pilot study, to better cater to the characteristics of the business-to-consumer (B2C) context in the banking industry (Aurier and Lanauze, 2012; Azmat and Ha, 2013; Berg et al., 2012; Choi and La, 2013; Homburg et al., 2013; Mandhachitara and Poolthong, 2011). The pilot study has provided some insights for the model adaptation: for example, while customers tend to have a relatively clearer understanding of companies' treatment of

employees in a business-to-business environment, it is not the case in a business-to-consumer context. One possible explanation is that many B2C customers do not have regular contact with a specific employee, and the relationships between customers and employees are often shallow, resulting in a lack of understanding of the situations facing employees. Hence, the business practice CSR reputation in the main study was mainly concerned with the ethical and responsible treatments of customers as the primary stakeholders of retail banks. The development of the model to fit in with the business-to-consumer environment has formed a theoretical basis with empirical data for other researchers to conduct further studies in the banking industry in other countries, or for other consumer products and services in future.

7.2.2 Confirmed relationships in the HK banking industry

The framework developed and tested in the study reinforced and confirmed the relationships between perceived service quality, trust and attitudinal loyalty, as tested by different scholars (Aurier and Lanauze, 2012; Berg et al., 2012; Chaudhuri and Holbrook, 2001; Poolthong and Mandhachitara, 2009; Reichheld and Schefter, 2000; Standaland et al., 2011). The study has affirmed the strong relationship between moderating factors such as perceived service quality and trust, which are essential in bringing about attitudinal loyalty and profit for an organisation. Most studies have found trust to have contributed to loyalty (Arya and Srivastava, 2015; Berraies, Chtioui, and Yahia, 2015; Chandio, Qureshi, and Ahmed, 2015; Jin, Line, and Merkebu, 2015; Veloutsou, 2015), while others showed reservations or only supported a mediating effect of trust on loyalty, (Akamavi, Mohamed, Pellmann, and Xu, 2015; Devece, Garcia-Agreda, and Ribeiro-Navarrete, 2015). This study has added to the body of knowledge by confirming the positive relationship between trust and attitudinal loyalty in the banking context in a service-driven economy like HK. This would be a useful reference for other researchers who would like to study the relationship between quality, trust and loyalty, in particular in the service sector, in a highly competitive and matured economy, or in the Asian markets.

7.2.3 Linking CSR to stakeholders

The research results showed that CSR has contributed positively to trust and loyalty and hence can improve company performance. The study closed some research

gaps by providing greater understanding of the impact of CSR reputation on attitudinal loyalty, answering queries and creating insights for future theoretical model development. In the past three decades, empirical research was used to test the influence of CSR on loyalty and profitability, with most researchers confirming that CSR is conducive to loyalty and corporate financial performances, perhaps through building customer satisfaction, corporate reputation or competitive advantage (Aaker, 2004; Aguinis and Glavas, 2012; Aupperle et al., 1985; Ioannou and Serafeim, 2015; Luo, 2005; McGuire, 1988; Porter and Kramer, 2002).

In an attempt to identify the contribution of different CSR dimensions, economic, legal, ethical, business practice and philanthropic CSR dimensions were distinguished and tested through empirical research (Carroll, 1991; Homburg et al., 2013; Park et al., 2013). The researcher has developed a model for empirical study using the two CSR aspects proposed by Homburg (2013), namely business practice CSR reputation targeting primary stakeholders and philanthropic CSR reputation targeting secondary stakeholders (Homburg et al., 2013). This has helped to determine the level of contribution of different CSR initiatives to profitability. The research results provided insights into the importance of different CSR aspects by linking them to the needs of different stakeholders, instead of relating CSR dimensions to internal company functions, like what many other studies have done. This perspective not only linked CSR with stakeholder theory, it also provided a foundation for further development of research models or elaboration of CSR aspects with reference to the need of different primary stakeholders.

7.2.4 Insight for new mediating constructs

The research results also revealed that business practice CSR reputation has a positive relationship with trust, while philanthropic CSR reputation did not contribute positively to trust. New constructs need to be added to the model to understand what other positive results could be brought about by business practice CSR reputation. Also, if philanthropic CSR reputation was contributing to loyalty but not through trust, then research efforts should be exerted to explore the other mediating factors; and some possibilities could include customer satisfaction, brand image and identification (Arikan and Guner, 2013; Chung et al., 2015; Martínez and Bosque, 2013; Perez and Bosque, 2015). Although many scholars have been trying to link philanthropy to profitability (Azmat and Ha, 2013; Choi and La, 2013; Emezi, 2015), philanthropic CSR reputation

was believed to have limited correlation, if any, with loyalty. Philanthropy was believed to be a distinctively different concept from other CSR concepts (Leisinger, 2007), and the results from this study therefore reinforced the controversies in the concept of trust and also the relationship between antecedents of loyalty (Ailawadi et al., 2014; Gatt, Caruana, and Snehota, 2012; Hsu, 2012; Lai, Chiu, Yang, and Pai, 2010; Luo and Bhattacharya, 2006; Wu and Chen, 2015). This study hence provided insights on the need to identify the most important mediating factors between philanthropic CSR reputation and loyalty in different industries, and in both business-to-business and business-to-consumer contexts.

7.2.5 Insight for new CSR definition

This study has informed researchers that CSR has contributed to loyalty through its influence on perceived service quality and trust that have a direct impact on loyalty. Some managers agreed that the interests of primary stakeholders like customers are more important, which reinforced the significance of “business practice CSR reputation” of the model in the study. However, despite the fact that many studies have confirmed the importance of CSR in building competitive advantage and corporate reputation, some executives still regard shareholders as the most important stakeholders, and hence, the need to achieve economic performance dominates their management strategies (Cantrell and Kyriazis, 2015; Saeidi et al., 2015). This study thus shed light on the need to consider adopting the relatively new CSR definition by European Commission. CSR is regarded as “responsibility of enterprises for their impact on society”, in which the creation of shared value (CSV) for shareholders is necessary, while business strategies should be seen as integrating concerns in social, environmental, ethical, consumer, and human rights aspects from society (European Commission, 2016; Moczadlo, 2015). This idea also supported other propositions which have advanced CSR to strategic corporate responsibility (SCR), suggesting a need to develop processes for value co-creation aiming to maximise financial, natural, social and human capitals for better sustainability (Ahen and Zettinig, 2015). With these in mind, revised CSR models could be developed based on the new European Commission CSR definition and the SCR perspective, which tie the social and economic responsibilities tightly together and inspire corporations to adopt a more holistic and strategic approach on CSR.

7.3 Contribution to practice

7.3.1 *Resources allocation to CSR for primary stakeholders*

The study has helped close various gaps in practice. The research data revealed that strategic efforts should be exerted on CSR, due to its value in contributing positively to service quality, trust and loyalty, which are regarded as important in bringing about sustainable competitive advantages and profitability for an organisation (Aaker, 2004; Hart et al., 2003; Porter and Kramer, 2006).

The data also distinguished the two different categories of CSR, by informing management that the building of business practice CSR reputation, targeting primary stakeholders such as customers, is essential to an organisation's success through improving customer loyalty, while CSR that target secondary stakeholders such as community, may not have a clear influence on a company's performances. Therefore, companies should reconsider their resources allocation in these aspects. By distinguishing CSR practices in terms of business-related and philanthropy-related practices, it helped provide a clear direction for corporate resources allocation, including funding, human resources, communications, and management of stakeholder relationships. To maximise financial performance, the research confirmed that corporations should put greater emphasis on CSR initiatives that target primary stakeholders, in particular customers, as this will contribute to better quality perception, trust and attitudinal loyalty, which are conducive to generating profits for the organisation.

7.3.2 *CSR contributes to reputational and financial performance*

Although the results did not indicate that philanthropy contributes to trust or loyalty, the study showed the significance of business practice CSR reputation. The results have reinforced previous research results suggesting that business practice CSR reputation makes a positive contribution to perceived service quality and trust, which then leads to customer loyalty (Homburg et al., 2013). The results have clearly indicated that CSR is not just PR window dressing or image building, as it exerts a positive influence on company performances, and hence it is worth the investment in terms of both human and economic resources. Apparently there could be follow-up questions as to whether CSR should become SCR, and incorporate economic responsibility as the number one priority of an organisation in contributing to society.

This would then be another area demanding more empirical studies and customer insight research by the companies.

7.3.3 Investing and communicating CSR for customer benefits

The research results also revealed that business practice CSR reputation has a positive relationship with trust, while philanthropic CSR reputation did not contribute positively to trust. It was also found that while business practice CSR reputation can contribute to perceived service quality and trust, it can hardly contribute directly to attitudinal loyalty. Corporations can try every means to make customers feel respected and educate them on ethical business practices, but there is no guarantee of inducing repeated patronage, referrals, or emotional preferences. This indicated that Hong Kong customers' scepticism towards CSR is high. In fact, public trust in both the government and corporations has been falling significantly in HK in the past few years, due to growing concerns of corporate-government collusion (South China Morning Post, 2014; Wong, 2010). Companies need to formulate CSR initiatives for customer benefits in order to regain their trust; together with regular CSR communication, it might help create better business results (Tench and Jones, 2015).

7.3.4 Implications for the Bank of China

With regard to the banks in the study, they could make certain adjustments in their CSR strategies in order to cope with differing customer requirements. First, the research has shown that BOC customers were consistently giving higher scores, even though BOC was putting the least amount of effort into CSR among the three banks in the study. This phenomenon could be explained by BOC's customers who are mainly youngsters who have their accounts opened since secondary school, as well as homemakers, and mainland immigrants and HK people who might be using the bank for PRC-related business purposes. People with these profiles tend to have more positive views towards the banks' CSR practices (Moisescu, 2015; Ramasamy and Yeung, 2009). Hence, BOC should continue to recruit customers with similar profiles, as the return on CSR investment is relatively high; hence these customers are more cost-effective to serve. Although BOC is the least active in conducting CSR activities, its customers have indicated better perceptions of the bank's CSR reputation. This suggested an opportunity for BOC to build up its brand image by actively communicating its CSR

initiatives through online and offline communication channels as well as their staff members.

7.3.5 Implications for the Hongkong and Shanghai Banking Corporation

Despite the fact that HSBC has been putting the greatest effort and investing a considerable amount into a more comprehensive array of CSR practices (US\$117m for HSBC, as compared to US\$63m for SCB and US\$1.3m for BOC) (BOC HK, 2014; HSBC, 2013; Standard Chartered Bank, 2014d), the research results reflected that HSBC's CSR strategies were not effective. It appeared that HSBC was either losing focus on their CSR strategies, or unable to get the message across to its customers, or that its customers have very high expectations of the CSR engagement of HSBC, the market leader in HK's banking industry. HSBC should conduct further research to gain customer insight to direct its future CSR efforts for greater cost efficiency. At the same time, HSBC should begin to strengthen the communication of its CSR endeavours to high value customers as CSR communication is one of the keys to CSR success (Brown and Dacin, 1997; Porter and Kramer, 2006; Standaland et al., 2011; Tench and Jones, 2015). Being a HSBC customer for over 20 years, the author seldom receives any communications concerning the bank's CSR efforts, nor has the bank been encouraging its customers to participate in its cause marketing programmes. The research results certainly call for a change in HSBC's CSR strategies.

Efforts to engage customers in CSR could be particularly important for customers with certain demographics. The study showed that working females tend to be more sensitive and demanding of CSR practices (Boulouta, 2013), and that female HSBC customers who are educated and married were more discontented with the bank. Hence, HSBC should consider communicating more proactively to this group of customers, enticing them in CSR activities in order to change their perceptions of the bank.

7.3.6 Implications for the Standard Chartered Bank

Although the CSR resources exerted by Standard Chartered Bank were only half of those of HSBC, the study showed that the scores of SCB and HSBC were similar in all the five constructs. This indicated that SCB has utilised its CSR resources in an effective and efficient manner. The Hong Kong marathon, being the strategic

philanthropic event that SCB has been organising for the past 20 years, has helped build up its CSR reputation. Hosting a full marathon in a congested city like HK, with over 70,000 runners, including elite and top runners from around the world, is an annual mega event for all the Hongkongers, as evidenced by its ever-increasing number of participants, spectators and donations (Standard Chartered Bank, 2015b). It is a rare experience valued by HK residents, it cannot be easily imitated, nor is it substitutable with other sports event. Therefore, organising HK marathon fulfils the valuable, rare, inimitable, non-substitutable (VRIN) criteria of competitive advantage, as proposed by resource-based theory (Barney, 1991). This has demonstrated that strategic CSR contributes to competitive advantage (McWilliams and Siegel, 2011). Hence, SCB should continue with this strategic philanthropic approach in CSR, as it has contributed to the sustainable competitive advantage of the bank. Henceforth, SCB should leverage on the power of the strategic CSR initiative to engage its primary stakeholders and enhance customer attitudinal loyalty.

7.3.7 Implications based on consumer demographics

Moreover, the study showed that customers aged 30-34 and 40-44, and those earning HK\$30,000-\$39,999 per month have consistently given low ratings on CSR reputation, service quality perception and trust. This should be alarming for the banks, as these groups are middle class customers who are using more than basic banking services. Hence, their perceptions could be well-grounded on various interactions with banking personnel in the branch, through service hotlines, or other touchpoints like online banking services in the banks' websites. The situation demands immediate attention, especially since the respondents in this study are generally highly educated, earning above-average income and probably having a higher customer lifetime value. With this in mind, the banks should first investigate, through exploring their internal database, to discover whether there are any commonalities between these customers and their relationships with the banks. Further research is required to understand how to better serve these customers through improving service offerings, providing more customised banking services, or simply improving the efficiency of service to help them save time in this time-poor society, etc.

7.4 Recommendations

7.4.1 *Resources allocation for CSR*

In a nutshell, corporations are recommended to continue to beef up their CSR efforts, as it was shown that both SMEs and MNCs are expected to contribute to CSR, and CSR will make a difference in customers' purchasing decisions and referral decisions, and will determine whether customers will experience an emotional preference towards the brand. When allocating resources for CSR, corporations should focus more on fulfilling the needs of their primary stakeholders who contribute to the companies' profitability. Responsible business practices should be developed to create better quality perception which leads to higher loyalty and profitability.

7.4.2 *Consumer demographics*

As younger and middle-aged customers, semi-skilled/unskilled labour and male customers appeared to be more lenient and positive towards companies' CSR efforts, regular CSR communications should be maintained with them. Less powerful people in the community tend to be more trusting, and companies might want to make use of these characteristics to build better relationships with them and cross-sell different products to induce greater loyalty. Other customer groups (e.g. educated and working females, professionals, managers, entrepreneurs, etc) might require more targeted CSR communications and initiatives to build a better CSR reputation. As customers with higher incomes are more demanding in terms of CSR, it would be more effective to induce loyalty in them by delivering quality services and adopting more responsible business practices.

7.4.3 *Strategic philanthropy*

Building up trust is a necessary business strategy as it contributes significantly to loyalty, which has a direct relationship on the financial performance of an organisation. As some customers are generally sceptical towards the charity activities of corporations, it is suggested that any philanthropic engagements should be scrutinised to avoid confusing customers, as well as to avoid possible criticism of ill-intentions and unclear communication or use of funds. A strategic perspective on philanthropy could mean that a company should cooperate with a reputable non-profit

organisation with a strong appeal for its target customers as strategic philanthropy was proven to help create sustainable competitive advantage. For example, a bank could cooperate with an organisation or contribute to an NGO that helps people in personal financial management for youngsters (e.g. HSBC has been working with Junior Achievement to educate secondary school students in responsible personal management and financial planning).

7.5 Research limitations

The first limitation is related to the study context. This research only focused on the banking industry, with a study of three selected banks and only in the Hong Kong context. The research framework was developed based on a study in the west, which might not be entirely applicable to the HK context and culture.

Secondly, while the researcher has tried to recruit respondents with demographics according to HK's population composition and the size of the three banks in the study, the relatively small sample size of 329 valid responses is not ideal, and less insight could be generated from the data for the banks with a smaller sample size (e.g. BOC and SCB).

In addition, the research pilot study was only conducted on 100 relatively younger respondents, who might not have a lot of experience in patronising banks and using banking services, other than basic savings and credit card services. Also, their answers were generally more lenient with relatively high ratings, which were not ideal in enabling a review of the survey questions and processes of the study.

Also, the research focused on residents of Hong Kong, who now include over one million mainland Chinese who immigrated to HK after the handover in 1997. The cultural differences between the Hongkongers and mainlanders living in HK were unaccounted for in the current study. Additionally, the cultural differences between Chinese people living in different countries within Asia, such as China, Taiwan, Malaysia and Singapore, and those in western societies create limitations on the generalisability of the research results.

Moreover, the research was conducted on a voluntary self-administered basis and through an online platform. While it has the benefits of higher efficiency and cost savings, it also has limitations, as a lack of interaction has prevented respondents from asking questions and clarifying misunderstandings during the process. Moreover, it is

unclear whether respondents were paying full attention and considering the questions carefully when answering them, thus affecting the quality of their answers.

Some scholars indicated that PLS-SEM should be used when the sample size is relatively small and data is non-normal (Hair, Sarstedt, Pieper, and Ringle, 2012; Hair, Sarstedt, Hopkins, and Kuppelwieser, 2014). There could be questions over the use of PLS in the analysis of the SEM. However, whilst recognising this fact, the author has taken research conducted by other researchers in a similar contexts, using PLS, in good faith (Cadogan and Lee, 2013; Lee and Cadogan, 2013).

Finally, SEM as a technique means the degree of transferability of the findings is severely limited. SEM is time and situation specific to the sample used. Great caution should be employed, therefore, when trying to transfer the findings of one sample population to another, despite the ‘quantitative’ aspect of the study as opposed to a ‘qualitative’ approach where transferability of findings are deemed less valid.

7.6 Future research opportunities

Future research opportunities lie in the application to different industries and cultures, and in cross-cultural comparisons. The study has used the three note-issuing multinational banks, which would allow cross-cultural comparisons. The research framework could be applied to cross-cultural study and comparisons in Asian countries where ethnic Chinese constitute the majority of the population. The studies in perceptions of Chinese people in different countries would allow comparisons and exploration of cultural differences in terms of attitudinal loyalty for banking services. With this in mind, the sample size should be enlarged to cater to different demographic factors, including ethnicity. For example, research could be developed to compare responses of Chinese in Hong Kong, China, Taiwan, Malaysia, the UK and USA where there are a considerable number of Chinese immigrants and their descendants. Pilot study samples and procedures should simulate the main study as much as possible, and similar criteria in selecting samples should be applied in future studies.

In addition to applying the research in the banking industry in different countries, research could also be conducted in other industries to generate data for comparison, and facilitate greater understanding of the applicability of the theoretical research framework. Modification of the research framework could help to complete the framework with constructs that contribute more significantly to attitudinal loyalty and

profitability. Adding the constructs of brand image, customer satisfaction or identification could potentially assist in generating valuable data to help organisations allocate CSR resources more effectively.

Another research opportunity is in further enriching business practice CSR engagement that targets primary stakeholders in the business-to-consumer context. Efforts should be exerted to explore practices that would maximise the financial results. This will direct companies to more effective use of resources and better development of CSR plans for the medium to long run. The role of stakeholder relationship is perhaps worth exploring as a supplementary study to this framework. Further research should continue to explore and compare the importance of various aspects of CSR reputation, including those targeting primary stakeholders such as customers (e.g. business practice CSR), shareholders (e.g. economic responsibility) and also those targeting secondary stakeholders like the local community (e.g. philanthropic CSR).

This research revealed a number of issues concerning strategic CSR and its role in strategic management. Although this was outside the scope of this study, there could be a number of research avenues which could be fruitfully pursued through further research. These include a) updating the definition of CSR to strategic corporate responsibility (SCR) to assist in answering the controversies between the arguments of Freeman (1984) and Friedman (1970) on the importance of economic responsibility in strategic management (Freeman, 1984; Friedman, 1970), b) linking strategic CSR with management theories like the resource based view and stakeholder theories of management and c) the importance of strategic philanthropy in contributing to the sustainability of competitive advantage.

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